

SUTTON HARBOUR HOLDINGS PLC

ANNUAL REPORT & FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2009

COMPANY NUMBER: 2425189



SUTTON HARBOUR GROUP AT A GLANCE

Sutton Harbour Holdings plc, listed on the Alternative Investment Market (AIM) of the London Stock Exchange since 1996, specialises in infrastructure and regeneration activities operating primarily in the South West of England. The business activities of the Group are segmented into three divisions:

MARINE ACTIVITIES

The Group owns and operates Sutton Harbour at the heart of Plymouth's historic Barbican area. The harbour itself is home to Sutton Harbour Fisheries, which is the third largest fishmarket in England, the Sutton Harbour marina village, providing berthing for 579 vessels, and an estate of harbour frontage investment properties. These businesses provide stable core income to the Group through dues, fees and rents. Recent development of the Group's harbourside land has contributed to the appeal of the area to tourists, owner occupiers and quality covenant commercial tenants. The Group's harbourside tenants include the National Marine Aquarium, South West of England Regional Development Agency and numerous pub and restaurant chain operators. The company hosted the start of the Artemis 2008 Transat race in May 2008 attracting over 100,000 visitors to the harbour. Sutton Harbour will also host the finish of the 2009 Rolex Fastnet Yacht Race as well as other annual events during the coming year.

TRANSPORT ACTIVITIES

The Group purchased Plymouth City Airport Limited and the 150 year lease of the airport in 2000. Since then, the airport has operated as a

regional airport used by scheduled commercial airline operators, the military including Flag Officer Sea Training and other general aviation movements. In March 2008, the Group finalised an agreement with Plymouth City Council, the freeholder of the airport, to transfer the freehold of 22 acres of surplus land to the Group. A resolution to grant planning permission was achieved on 30 April 2009 for a mixed-use development on the land including 375 houses, 32,000sq ft of office space and a 60-bed care home. The development will also include significant enhancements to the airport including a new access road, new hangarage, improved fire and rescue facilities and the relocation of fuel storage and the engine testing bay which will be combined with environmental improvements such as a noise attenuation bund and landscaping. In 2003, the Group started Air Southwest, a South West based airline, operating scheduled UK domestic services. Air Southwest has 5 Dash 8-300 aircraft and launched in April 2009 a new twice daily service from Newquay and Plymouth to London City Airport, reducing travel time to the capital significantly when compared to rail and road travel. Flights to Guernsey and Grenoble have also been launched in addition to existing services from Newquay and Plymouth to London Gatwick, Bristol, Manchester, Leeds, Newcastle, Glasgow, Cork, Dublin and Jersey. The Group has

invested in both the airport and Air Southwest and passenger numbers have been comparable to the previous year whereas many airlines and UK airports have shown a decline in passenger numbers.

REGENERATION ACTIVITIES

This division includes rentals from investment properties and regeneration activities. The Group is focused on development of the rental estate for revenue and capital growth. It has increased both the scale and geographical spread of regeneration activities by partnering with public authorities to regenerate disused waterfront or brownfield sites. This specialism has spread from the visionary regeneration of Sutton Harbour, Plymouth and the Group is currently working on schemes in Exeter, Portland and Swansea as well as further Sutton Harbour based schemes. In March 2009, the Group sold the landmark 42,000sq ft Salt Quay House offices in Sutton Harbour, Plymouth for £8.7 million. This was a property it had designed and developed. The Group has also operated a joint venture on a public/private finance initiative to provide community healthcare facilities under the Local Improvement Finance Trust initiative and is short listed to participate in further such schemes.

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CHAIRMAN'S STATEMENT

WE HAVE ACHIEVED SOME NOTABLE SUCCESSES
TO DATE IN SECURING THE FINANCIAL STABILITY
AND FUTURE PROSPECTS FOR THE GROUP

Overall, the Group has made good progress in difficult circumstances. Specifically, we have: controlled our borrowings through asset disposals achieved in difficult market conditions; renewed bank facilities with comfortable headroom for an eighteen month period; commenced new routes in Air Southwest; achieved planning consent for development of surplus land at Plymouth City Airport; and, progressed onward sales of this land to a developer to generate revenues in the future. Notwithstanding this, our property operations have been affected by the significant fall in UK property values, and our transport operations have been affected by the recession. As signalled to shareholders in our announcement in March 2009, your Company has incurred an overall loss for the year under review. This is despite the considerable efforts of the management and staff who have responded to these challenges and achieved some notable successes to date in securing the financial stability and future prospects for the Group.

RESULTS AND DIVIDEND

We report a pre-tax loss of £0.7 million prior to the fair value adjustments on investment property, compared with a profit for 2008 of £2.6 million. After fair value adjustments on investment property the pre-tax loss amounted to £3.5 million (including fair value deficit of £2.8 million) compared with a profit of £5.5 million (including fair value surplus of £2.8 million) for the previous year. Net assets at the balance sheet date were £35.4 million compared to £39.7 million as at 31 March 2008. This is the second year we have presented the Group's results under International Financial Reporting Standards as adopted by the European Union (IFRS). Under IFRS, investment property valuation changes are recorded in the income statement. The independent external valuation of the Group's investment property portfolio at the balance sheet date has shown a fair value adjustment deficit of £2.8 million. Following this write-down in value of our investment property assets, your Company's balance sheet remains secure. Our investment properties, marina assets and our airport property represent an attractive and balanced property portfolio and with gearing of 58.2%, we remain well positioned in these uncertain markets.

The overriding objective of the Board is to maintain financial stability and, given the outlook for the Group at the half-year stage, we maintained the interim dividend. We aim to be prudent whilst providing a proper reward for our shareholders and notwithstanding this has been a challenging trading period, the Board has taken into account the likely

future revenue streams for the Group.

Accordingly the Board has decided to propose a final dividend of 1.0 pence per share (2008: 1.5p per share), making 1.9 pence per share (2008: 2.4 pence per share) in total for the year. The final dividend will be paid on 21 August 2009 to shareholders on the register on 7 August 2009. The shares are expected to go ex-dividend on 5 August 2009. The level of future dividends will be kept under review and will have regard to the level of cash generation in the Group. We continue to believe that investment in the Company's shares qualifies for Business Property Relief, but shareholders should take their own advice before acting on this statement.

REGENERATION

The Group's portfolio of property comprises high quality commercial and specialist operating facilities, much overlooking Sutton Harbour, with good covenants and long leases in place. The overall decrease in values of 6% has been far lower than the general decline in UK commercial property of 25% in the twelve months to 31 March 2009, reflecting the quality and strength of our property portfolio. The long term strategy of the company is to increase our portfolio of good quality investment property but as previously stated, selected assets will be sold where this is judged commercially beneficial. The sale of Salt Quay House was achieved in March 2009 in particularly difficult market conditions and for a very satisfactory £8.7 million which reduced the Group's bank borrowings and gearing.

I am particularly pleased to report on achieving a resolution to grant planning consent for a mixed-use development on the 22 acres of surplus land at Plymouth City Airport after the year-end. This has been an extremely complex planning application and the project will provide both future property revenues for the Group and enhancements to the airport including environmental improvements. We have exchanged on the sale of the majority of the land to a developer. The development of the site will also provide a boost for employment in the area during these difficult economic times.

Your Company's pipeline of regeneration schemes demonstrate the recognition of our expertise in partnership working and our success in extending the Group's geographical reach. With progress on projects in the short term slowed due to difficult market conditions, the Board has reviewed the cost base of the regeneration division and regrettably this has led to some redundancies as resource is aligned to current activity levels.

As reported in my interim statement, the Group sold its interest in the joint venture through which investments in Local Investment Finance Trust (LIFT) initiatives were held. This resulted in a profit of £0.9 million in addition to the profit on the share exchange of £1.1 million recorded at 31 March 2008. The sale of this investment does not preclude us from involvement in future LIFT opportunities in other parts of the UK and we are delighted to have been shortlisted, with our partners, as an eligible bidder for future projects under the NHS Express LIFT National Framework Agreement. This provides us with financial flexibility as well as revenue-generating opportunities.

TRANSPORT

Air Southwest has faced a challenging year given high fuel costs persisting for much of the year, start-up costs of our new routes and pressure on revenues, including increased competition. Management has responded vigorously to ensure our costs are controlled consistent with maintaining high safety standards and we have launched new routes to stimulate demand. In April 2008 we commenced flights to Newcastle, Glasgow, Cork and Dublin and the high profile launch of the twice daily service from Newquay and Plymouth to London City Airport in April 2009 has been well received by passengers with strong advance bookings. This service complements services to London Gatwick by providing fast links to the heart of the capital and connectivity to other international airports. We are pleased that Air Southwest has been named the most punctual UK airline for the second year running on flights in and out of London Gatwick airport. The outlook for airlines is challenging but we benefit from being a tightly-controlled niche operator.

MARINE

The marina has traded well during the year and we have continued with upgrading and enhancement of the facilities. New pontoons have been installed for commercial and fishing vessels and an events pontoon with an additional 31 berths is being installed at

West Pier marina. The replacement lock gates, completed in February 2008, which are essential to ensure the continued effectiveness of flood defences, have worked well throughout the period. Fishing activity was initially constrained by high fuel prices during the year although the landings value of fish has been maintained compared to the previous year. The Company hosted the start of the Artemis 2008 Transat race in May 2008 in conjunction with Plymouth City Council and South West of England Regional Development Agency. This event attracted over 100,000 visitors to Sutton Harbour with the Company able to showcase the excellent facilities that Sutton Harbour has to offer. Following the success of this event, Sutton Harbour will host the finish of the 2009 Rolex Fastnet race and other annual events during the coming year.

CORPORATE GOVERNANCE

As reported in my interim statement, Sheridan Brimacombe retired on 1 December 2008 after seven years service as a Director. On behalf of the Board I would like to express our gratitude for her support during this period. On the same date, two new independent Non-Executive Directors were appointed. John Heawood spent 11 years as a Group Board Director of SEGRO plc (formerly Slough Estates plc). Prior to that he spent 20 years advising on all aspects of UK commercial property including 11 at DTZ where he was a Director. John Heawood is a chartered surveyor and a past member of the CBI property group and is now managing director of Ashtenne Industrial Fund. Keith Sykes was also appointed as an independent Non-Executive Director. He was Chief Executive of Watts, Blake, Bearne & Co Plc and a Non-Executive Director of TSW-TV South West Holdings Plc. He is also a long term shareholder in your Company. Both John Heawood and Keith Sykes serve on the remuneration and audit committees. I am also pleased to announce that Anthony Everett has been appointed Deputy Chairman of the Group.

Following a review of the Group's audit and tax compliance services, four firms were invited to take part in a tender process and the Board has engaged PricewaterhouseCoopers LLP with a team led from their Bristol office. The Board wishes to thank KPMG Audit Plc for their work and their professional advice since 2002.

The Board also tendered the nominated broker role during April 2009, with the resultant appointment of Arden Partners plc with effect from 12 May 2009. The Board thanks Blue Oar Securities for their support and advice over their period of engagement. Evolution Securities continue as nominated adviser to the Company.

SUMMARY AND OUTLOOK

This has been a particularly challenging year for our people and I would like to express my thanks to the Executive Directors and entire team for their hard work, loyalty and, too often, for the long hours they have put in during many hours of negotiations on key projects.

Our principal objective has been to maintain financial stability and secure adequate financial resources in order to underpin future profit and cash generation. Markets remain tough, but we are well balanced with complementary high quality asset-backed regeneration, marine and transport activities coupled with a good pipeline of projects and opportunities to deliver future growth.



Michael A. Knight

Chairman

2 June 2009

CHIEF EXECUTIVE'S REPORT

Sutton Harbour has a unique high quality asset base, comprehensive regional knowledge and is founded on partnership values with both the public and private sectors. Each of our asset-based regeneration, marina and airport activities are complementary in nature.

Air Southwest provides a vital transport link for the South West of England and therefore acts as a wider regeneration agent and whilst it has suffered in the downturn has demonstrated its ability to provide good returns.

In these difficult economic times we have shifted our short-term emphasis from investment and expansion to cash management, re-organisation and maintaining an appropriate capital structure which will all ensure the Company is well-placed to capitalise on opportunities when market conditions improve.

Our significant strength derives from the good visibility which our annuity incomes across property investment, marina and the airport land activities provide. These are further enhanced by our strong regeneration pipeline which will realise additional income and capital gains over time. However, the current economic conditions create greater uncertainty for our airline operations and we have rationalised our cost base accordingly whilst continuing to make some appropriate investment, for example in new routes, that will enhance the strategic position of Air Southwest in the medium term.

**WE HAVE SHIFTED OUR SHORT-TERM
EMPHASIS FROM INVESTMENT AND
EXPANSION TO CASH MANAGEMENT,
RE-ORGANISATION AND MAINTAINING
AN APPROPRIATE CAPITAL STRUCTURE**

Our significant strength derives from the good visibility with our annuity income

BANKING

Our focus on financial stability will ensure we are well placed for the long-term future. By successfully re-negotiating our banking facilities, we have secured sufficient headroom for the Group as it focuses on its goals in the short to medium term.

RESULT

The Company generated a pre-tax loss for the year of £0.7 million before fair value adjustments resulting principally from pressure on revenues and increased costs such as fuel and route start-up for the airline.

There was also the impact of delaying property development and obtaining planning permission and the subsequent exchange of contracts on the airport land post rather than pre year end.

We have worked hard to achieve good rental incomes during the year but market yields have continued to deteriorate resulting in the reported investment property revaluation deficit of £2.8 million.

REGENERATION DIVISION

The economic climate has suppressed investment (rental) income, property values and development profits. However, we are less susceptible to the scale of valuation downturns that are occurring in the wider market with a large number of our assets, such as the marina and fishmarket, combined with airport rental streams and ground leases, providing an annuity-based income stream with less inherent risk.

Our strategic objective is to increase our investment income whilst at the same time balancing this with cash regeneration where opportunities arise. The sale of Salt Quay House which generated £8.7 million of proceeds, provided an excellent opportunity of this type. In this regard we were pleased to achieve a creditable yield of 7.7% in this market. On the development side, we expect to be selective in the projects which we progress until conditions improve. We have a strong development pipeline and will take advantage of this at the appropriate time. At present however, we are developing a 16,000 sq ft building for the Royal Yachting Association in Portland and have pre-sold it to them. We have also achieved a revised planning permission for the BBC in Plymouth better suited to market conditions and are now finalising the development plans. As part of our renegotiated bank facilities, we are pleased that our principal lender has reaffirmed its commitment to provide development funding on such schemes.

TRANSPORT

Air Southwest has experienced a period of high fuel prices, reduced consumer demand, new route start-up costs, increased competition and the unfortunate temporary closure of Newquay Airport in December. As such, we are focused on stabilisation and selective investment as opposed to growth. We have embarked on an intensive marketing campaign and have launched the Plymouth/Newquay/London City route which has exceeded our expectations. As part of this stabilisation effort, we will continue to de-risk this activity as much as possible.

At Plymouth City Airport, we have successfully obtained a resolution to grant planning permission for the redevelopment of 22 acres of surplus land and have exchanged contracts on the sale of the majority of the land to a developer. This in part is an airport enhancement package but will provide the Company with a good revenue stream and significant cash generation for a number of years.

MARINE DIVISION

Sutton Harbour Marina now has 579 berths making it one of the largest facilities in the South West. We have been able to increase our berthing yields whilst providing our berthholders with enhanced facilities.

The fishing industry in the South West is experiencing better trading conditions compared to last year largely due to the end, for the time being at least, of a period of high fuel prices.

EMPLOYEE REPORT

The Group currently has 244 employees and operates an equal opportunities policy. As part of our focus on cash management, we have regrettably reduced staffing numbers to reduce costs and align resource to current activity levels.

We are accredited as an Investor in People. We have an open culture within the business, with regular staff forums which contain business briefings and staff feedback sessions. Morale remains good and I am grateful for colleagues' hard work and support during this difficult period.

Nigel Godefroy
Group Chief Executive
2 June 2009



FINANCIAL REVIEW

INVESTOR OVERVIEW

Performance of Sutton Harbour share price in comparison to the FTSE AIM All-Share and FTSE Small Cap Indices

DIVIDEND PAYMENT TIMETABLE

DIVIDEND	AMOUNT	EX-DIVIDEND DATE	LAST REGISTER DATE	DATE PAID/PAYABLE
Interim	0.9p per share	10 December 2008	12 December 2008	6 January 2009
Final	1.0p per share	5 August 2009	7 August 2009	21 August 2009

ACCOUNTING

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

PROPERTY VALUATION

In accordance with IFRS, an independent valuation of the Group's investment property assets was undertaken at 31 March 2009 which gave rise to a deficit of £2.8 million, this is disclosed in the consolidated income statement as fair value adjustments on investment property. Against a general decline in UK commercial property assets of 25% in the year to 31 March 2009, as detailed in the Investment Property Databank, the Group's unique portfolio of commercial, restaurant and retail properties, the majority of which overlook Sutton Harbour, declined in value in comparison by 6% during the year. This was affected, in part, by an

increase in the value of Sutton Harbour's portfolio of car parks by 71% due to improved revenue streams and a reorganisation resulting in a reduction in costs in relation to these assets.

Our results were presented under IFRS for the first time last year and we introduced six-monthly independent valuations of the Group's investment property assets. The surplus for the year 31 March 2008, of £2.8 million therefore reflected the adoption of the new accounting standards and brought the independent valuation of all assets up to date.

In addition to investment property assets, the Group's marina, fishmarket and airport premises are included within property, plant and equipment, as these assets are used in the generation of trading revenue. An independent valuation of these assets was undertaken at 31 March 2009 by the independent valuers' specialist team and these assets declined in value by £0.8 million.

This revaluation deficit is taken directly to reserves in the balance sheet. In comparison, there was a revaluation deficit on these assets at 31 March 2008 of £2 million. This followed the introduction of IFRS and a specialist independent valuation.

Salt Quay House was sold during the year for £8.7 million at a yield of 7.7%. This property had previously been held as an investment property as at 31 March 2008 and the fair value adjustments on investment property in the accounts for the six months ended 30 September 2008 include a revaluation deficit of £0.7 million in relation to Salt Quay House. This figure remains in the revaluation deficit of £2.8 million for the full year to 31 March 2009, which has been referred to above. In addition, the consolidated income statement includes a loss on disposal of investment property of £0.3 million which also relates to Salt Quay House. This amount is in addition to the revaluation deficit provided at the half year and includes a twelve month provision for the future rent, rates and service charge on two vacant floors of the property which are leased by the Group and are being actively marketed.

JOINT VENTURE

During the year, the company sold its interest in the joint venture through which investments in Local Investment Finance Trust (LIFT) initiatives were held, resulting in a profit of £0.9 million. This was in addition to the profit of £1.1 million recorded at 31 March 2008 on the shares exchanged in LIFT Investments Limited, the associate company through which the investment in Plymouth 'LIFT' was held, in exchange for a 50% interest in a joint venture company holding shares in both Plymouth LIFT and East Hampshire LIFT.

EXCHANGE RATE AND COMMODITY PRICE HEDGING

Many of the costs of running Air Southwest are denominated in US Dollars. The Group has hedged US Dollar requirements up until 31 March 2010 at good rates of exchange from US\$1.76:£1 to US\$1.81:£1. Due to the increased cost of fuel at the beginning of the financial year, fuel price exposure was hedged on our projected requirements up until October 2009 at expensive rates. Fuel prices have subsequently fallen back due to reduced demand because of the global economic conditions. The Group operates a system of closely monitoring fuel price movements with a trigger level whereby fuel price exposure will be hedged. Together, these

movements have resulted in financial assets in respect of US\$ hedges of £1,360,000 and financial liabilities in respect of fuel price hedges of £752,000.

CASH FLOW AND FINANCING

Net debt at 31 March 2009 is £20.6 million (2008: £18.1 million) with a gearing level of 58.2% (2008: 45.7%). Gearing may vary in the future depending on the stage of completion of projects. The Group has core borrowing facilities of £25 million agreed for an eighteen month period with effect from May 2009 and secured separate financing for specific regeneration projects. There are bank covenants in place for net assets, interest cover and gearing. LIBOR rates have been hedged at 1.88% on £15 million of bank borrowings until January 2011.

SHARE CAPITAL

During the year, 71,332 (2008: 6,130) SAYE share options were exercised by employees in accordance with scheme rules. The Company has 50,560,732 shares in issue as at 31 March 2009 (2008: 50,489,400).

BUSINESS RISKS

The assessment of the Group's key business risks and their management are detailed on pages 18 to 19.

TAXATION

The standard rate of corporation tax applicable to the Group is 28%, with the overall tax credit for the year being £1 million (2008: tax charge £0.9 million). The largest factor affecting the tax position relates to the reduction in deferred tax liabilities on investment property of £720,000 as a result of downward fair value adjustments. The gain on the disposal of the interest in the LIFT joint venture (see above) became realised, resulting in a £310,000 transfer from deferred to current tax, whilst leaving a small net current tax credit due to this being offset by trading losses incurred during the year.

BUSINESS PROPERTY RELIEF

We continue to believe that investment in the Company's shares qualifies for Business Property Relief, but shareholders should take their own advice before acting on this statement.

Natasha Gadsdon

Finance Director

2 June 2009



KEY PERFORMANCE INDICATORS

NET ASSETS

NET ASSET VALUE PER SHARE

PROFIT BEFORE TAX

DIVIDEND PER SHARE

The material Key Performance Indicators relevant to our business activities are:

FINANCIAL HIGHLIGHT	2009	2008
Net Assets (£000)	35,414	39,684
(Loss)/Profit before Tax (£000)	(3,450)	5,457
Basic earnings per Share	(4.86)p	9.10p
Dividend per Share	1.9p	2.4p
Net Debt (£000)	20,612	18,131
Gearing (See note 3)	58.2%	45.7%

KEY PERFORMANCE INDICATORS RELEVANT TO AIR SOUTHWEST

	2009	2008
Network Passengers	292,392	299,993
Airline Load Factor	62%	67%

KEY EVENTS BY DIVISION

MARINE ACTIVITIES

- Further improvements to the marina facilities including the installation of an events pontoon and the total number of berths increased to 579.
- Good occupancy rates for the 2009/10 season.
- Sutton Harbour hosted the Artemis Transat Single Handed Yacht race in May 2008 and is also hosting the finish of the 2009 Rolex Fastnet race.

TRANSPORT ACTIVITIES

- Shortly after the end of the 2009 financial year, obtained a resolution to grant planning permission for a mixed-use development on 22 acres of surplus land at Plymouth City Airport and exchanged contracts on the sale of the majority of the land with a developer. The planning application includes significant enhancement to the facilities at the airport including environmental improvements.
- Air Southwest announced new route launches for April 2008 from Plymouth and Newquay to Newcastle, Glasgow, Cork and Dublin. A weekly return flight to Grenoble was also launched to coincide with the skiing season. In April 2009, a twice daily service to and from London City Airport was introduced.
- Air Southwest was acknowledged for the second year running by a leading air travel web site as the most punctual UK airline to fly in and out of London Gatwick Airport.

REGENERATION ACTIVITIES

- Significant progress has been made on the Portland mixed-use development which is being undertaken in partnership with the South West of England Regional Development Agency. The first phase of 16,000 sq ft space presold to the Royal Yachting Association, in readiness for the 2012 Olympics and Paralympics sailing events, is due for completion in Autumn 2009.
- During the year, the Company successfully achieved a new commercial only planning permission for the East Quays (Boatyard) development at Sutton Harbour which is better suited to current market conditions. Outline agreement has been reached with the BBC, the anchor tenant, and funding proposals have been approved for the scheme.
- In Exeter, in partnership with the City Council, Exeter Quays Canal Trust and Spectrum Housing Association, construction is well advanced on the first phase of the waterside mixed-use development.
- During the year, the Group sold its interest in the joint venture through which investments in Local Investment Finance Trust (LIFT) initiatives were held, resulting in a profit of £0.9 million in addition to the profit on the share exchange of £1.1 million recorded at 31 March 2008. Subsequently, the Group has been chosen, as part of a consortium, as one of seven companies approved under the NHS Express LIFT National Framework Agreement which will provide potential for both future project management revenue and investment opportunities.
- The completion of the sale of Salt Quay House in March 2009 for £8.7 million at a yield of 7.7% reduced the Group's bank borrowings and gearing and facilitates the progress of other projects and opportunities.
- Sutton Harbour is the preferred partner on a mixed-use scheme in Swansea partnering with the City and County of Swansea.

THE GROUP'S STRATEGY

OUR OBJECTIVES

- To develop a mix of activities for long term sustainable growth and to provide a balanced risk profile
- To provide a secure investment proposition in a profitable company which has a strong asset backing
- To position the Group as a preferred partner to deliver integrated infrastructure and transport solutions
- To build on specialism in regeneration in the South West region and of brownfield and waterfront land, increasing geographical spread of activities
- To increase and improve income earning asset portfolio of the Group

CURRENT BUSINESS PLANS

- Growth of core earnings
- Selective retention of assets for investment and revenue earning potential
- Development of businesses to increase geographical spread of operation
- Maintenance of mix of businesses to preserve Business Property Relief
- Strong cash management
- Develop mix of businesses with complementary short and long profit and cash cycles
- Build partnerships for long term working relationships based on achieving partners' goals and replicate partnering model to win further business
- Maintain reputation for quality and customer service

THE REGENERATION PROJECT PIPELINE

PROJECT	DESCRIPTION	STATUS
PLYMOUTH CITY AIRPORT	Mixed-use development on 22 acres of surplus airport land.	A resolution to grant planning permission in April 2009 and exchange of contract with a developer for the sale of the majority of the land in May 2009.
SALT QUAY HOUSE, PLYMOUTH	Development and sale of 42,000 sq ft landmark office building overlooking Sutton Harbour.	Completed March 2009.
EAST QUAYS, PLYMOUTH	Commercial development on former boatyard site with signed pre-let of 22,000 sq ft of commercial space with the anchor tenant the BBC.	Revised planning permission obtained. Finalising the development plans.
EXETER	Mixed-use waterfront scheme partnering with Exeter City Council, Exeter Canals Trust and Spectrum Housing Association.	Construction of a Housing Association development with integral commercial space due for completion Autumn 2009. Further phases to follow.

PROJECT	DESCRIPTION	STATUS
PORTLAND	Mixed-use scheme partnering with the South West of England Regional Development Agency in readiness for 2012 Olympic and Paralympic Sailing Events.	Completion of the construction and pre sale of 16,000 sq ft space to the Royal Yachting Association in the Autumn 2009. Advanced negotiations for further phases.
SWANSEA	Mixed-use waterfront scheme partnering with the City and County of Swansea.	Masterplanning work in progress. Sutton Harbour named preferred partner.
NHS EXPRESS LIFT NATIONAL FRAMEWORK	Procurement programme enabling the efficient delivery of primary care facilities throughout England.	Sutton Harbour is part of a consortium selected as one of seven Private Sector Framework Partners which have entered into an Express LIFT National Framework Agreement with the Secretary of State for Health.

MANAGING BUSINESS RISKS

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

GROUP RISKS	RISK IDENTIFIED	RESPONSE TO RISK
• Financing	The availability of adequate borrowing and other funding facilities.	The Group has negotiated an eighteen-month general bank facility with effect from May 2009 and secured separate financing for specific projects. The Group has established relationships with two banks and will use bank financing alongside other funding and sales of non-core assets to release cash to fund new projects.
• Key Relationships	A key strength of the Group is a partnering approach to infrastructure and transport related projects. Loss of key relationships could hamper business opportunities to the Group.	The partnering approach works by achieving a satisfactory outcome for all parties. The Board and senior management work hard at maintaining and building new partnership relationships.
• Key Personnel	Success of Group activities is underpinned by knowledgeable and specialist management supported by motivated staff. Loss of key skills within the business could be a risk to certain activities.	The Group has moderate staff turnover. Retention of staff is based on a supportive Company ethos, competitive remuneration and other benefits including SAYE schemes.

MARINE ACTIVITIES

Lock Operations	Continuation of marine activities is dependent on the reliability of lock operations and the integrity of the lock structure itself.	Maintenance of the lock, a key flood defence, is the responsibility of the Environment Agency and it is subject to daily checks. Lock controls have failsafe systems to prevent human errors.
• Pollution Incident	A major pollution incident could result from leakage from a fishing vessel or fuel supply tanks.	Emergency procedures are in place to contain and clear a spillage which includes closure of the lock gates.

GROUP RISKS	RISK IDENTIFIED	RESPONSE TO RISK
TRANSPORT DIVISION		
• Security	The threat to aviation security from terrorism is well publicised.	Airport security is highly regulated and Plymouth City Airport is obliged to comply with Department for Transport and Civil Aviation Authority notices to remain operational.
• Air Incident	An air incident presents high risk in terms of potential loss of life, financial risk and loss of reputation.	Both Plymouth City Airport and Air Southwest are obliged to meet requirements of the Civil Aviation Authority to retain operating licences. Management of safe operations is the primary objective of this division. Emergency response drills are regularly undertaken together with the emergency services.
• Fuel Price	The risk of fuel price increase on the financial performance of the division.	The Group has a strategy to hedge the commodity price on a proportion of the fuel requirement to minimise financial exposure where this is judged beneficial and practical.
• Economic Conditions	The impact on passenger demand as a result of the economic conditions.	Passenger load factors are monitored closely by management and where necessary flying routes are adjusted accordingly.
REGENERATION DIVISION		
• Economic Cycles	Increasing turbulence in the property markets presents risk to profitability and viability of projects.	The Group has focused its efforts on a partnering approach to develop schemes which are largely pre-let to quality covenant tenants. Scheme phases are closely monitored and amended where necessary in response to economic cycles.
• Planning	Obtaining viable planning permissions has become increasingly demanding and for some projects has delayed progress.	To minimise planning risk the Group favours a partnering approach with planning authorities to ensure key planning requirements are incorporated into applications.
• Resource	The two key resources are skilled personnel and financing. Realisation of projects is at risk if resources are constrained.	The Group ensures that it has adequate staff with the necessary skills and experience. Competitive remuneration packages are paid. Projects may be phased to spread cash flows.

CORPORATE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

HEALTH AND SAFETY

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

The Group's Health and Safety committee is chaired by Jason Schofield 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 on the Group's internal website.

Committee meetings are also attended by the Group's Health and Safety Officer and 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 undertakes risk assessments in each area of the business. Staff are required to undertake health and safety training pertinent to their role with provision of manual handling and fire safety training for all employees.

The Group does not undertake direct construction on site. 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.

AIR SAFETY – PLYMOUTH CITY AIRPORT AND AIR SOUTHWEST

Air Safety in the Group is the responsibility of Accountable Managers for the Airline and Airport who are approved by the Civil Aviation Authority. There is an open reporting culture at both the Airline and Airport for all issues affecting air safety. Formal meetings are held to discuss issues that have arisen and identify actions required at least every second month or more regularly if required. Key issues arising are reported at the subsidiary company board meetings and to the Group Board of Directors. Management of Air Safety for both the Airline and Airport are audited by the Civil Aviation Authority which is a condition of each company's operating licence.

The environment plays a key role in the continuing success of the Sutton Harbour Group

ENVIRONMENTAL ISSUES

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

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

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

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

Independent audits of waste at Plymouth City Airport and Sutton Harbour Marina have been carried out and improvements put in place regarding the recycling of waste.

Sutton Harbour Marina has adopted waste recycling protocols of the National Maritime Recycling Scheme using standardised waste sorter recycling bags. This scheme has been well received by berthholders.

The Group has installed software at Sutton Harbour Fisheries to monitor energy consumption through daily, monthly and seasonal cycles. This information will be used to manage consumption through practical energy saving measures and targeted capital investment.

POLLUTION

Sutton Harbour and Plymouth City Airport are equipped to manage accidental fuel spills to minimise pollution of land and sea. Sutton Harbour Marina is equipped with black water tanks to facilitate the discharge of foul water.

COMMUNITY INVOLVEMENT

Sutton Harbour is located in the heart of Plymouth adjacent to the historic Barbican quarter and the City Centre. The Group supports city based arts, sports, community and tourist initiatives.

In May 2008, the Group hosted the 2008 Artemis Transat Race which started from Plymouth. Sutton Harbour berthed 24 yachts prior to the start of the race and the race village was temporarily constructed along the quay walls. This event attracted over 100,000 visitors to Sutton Harbour. The Group had the double objective of stimulating tourism for the City's benefit, and also showcasing the developments around Sutton Harbour which have created a vibrant port for leisure, commercial and residential use. Sutton Harbour will be hosting the finish of the Rolex Fastnet Race in 2009.

COMMUNITY ENGAGEMENT AND PARTICIPATION

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

The Group works closely with community groups throughout the City and through the Sutton Partnership, a partnership with the City Council, has worked with community representatives to resolve concerns over the lack of public open space, the provision of affordable housing and the outdoor eating areas.

Natasha Gadsdon
Finance Director
2 June 2009



DIRECTORS AND ADVISERS

COMPANY NUMBER: 2425189

DIRECTORS: Michael A. Knight (Non-Executive Chairman)
Nigel J. Godefroy (Group Chief Executive)
Natasha C. Gadsdon (Finance Director)
Jason W.H. Schofield (Executive Director)
Timothy F.S. Bacon (Non-Executive Director)
Anthony D. Everett (Non-Executive Director)
John A.N. Heawood (Non-Executive Director)
Malcolm V. L. Pearce (Non-Executive Director)
J. Keith Sykes (Non-Executive Director)

SECRETARY: Natasha C. Gadsdon

REGISTERED OFFICE: North Quay House
Sutton Harbour
Plymouth
PL4 0RA
Tel: 01752 204186
Fax: 01752 205403
www.sutton-harbour.co.uk

INDEPENDENT AUDITORS: PricewaterhouseCoopers LLP
31 Great George Street
Bristol
BS1 5QD

NOMINATED BROKER: Arden Partners plc
Nicholas House
3 Laurence Poutney Hill
London
EC4R 0EU

NOMINATED ADVISER: Evolution Securities Limited
100 Wood Street
London
EC2V 7AN

CORPORATE ADVISER: NM Rothschild & Sons Limited
67 Temple Row
Birmingham
B2 5LS

REGISTRAR: Computershare Services plc
PO Box 82
The Pavilions
Bridgewater Road
Bristol
BS99 7NH

BANKERS: National Westminster Bank plc
London
EC2N 3UR

Lloyds TSB Bank plc
25 Gresham Street
London
EC2V 7HN

DIRECTORS' REPORT

The Directors present their Directors' Report and audited Group Financial Statements for the year ended 31 March 2009.

RESULTS

The Group's loss before tax amounted to £3,450,000 (2008: profit before tax £5,457,000). Detailed results are set out on page 34.

PROPOSED DIVIDEND

An interim dividend of 0.9p (2008: 0.9p) per ordinary share was paid on 6 January 2009.

The Directors have proposed a final dividend in respect of the current financial year of 1.0p (2008: 1.5p) per ordinary share representing 1.9p (2008: 2.4p) for the year. The proposed final dividend has not been included within liabilities as it was not approved before the year end.

Dividends paid during the year comprise a final dividend of 1.5p per share in respect of the previous year ended 31 March 2008, together with an interim dividend in respect of the year ended 31 March 2009 of 0.9p per share.

PRINCIPAL ACTIVITIES

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 property regeneration, investment and development, provision of transportation and related facilities and the operation of an airline.

BUSINESS REVIEW

The information that fulfils the requirements of the Business Review can be found in the Chairman's Statement on pages 4 to 7, the Chief Executive's Report on pages 8 and 9 and the Financial Review on pages 10 and 11 which is incorporated in this report by reference. In addition, the Key Performance Indicators are on page 12 and within the Financial Review on pages 10 and 11. The principal risks are summarised on pages 18 and 19.

FINANCIAL RISK

The Group's financial risk management objectives and policies are given in note 3 on page 44.

DIRECTORS AND OFFICERS INSURANCE

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

POLICY AND PRACTICE ON PAYMENT OF SUPPLIERS

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 2009, the Group had an average of 52 days purchases outstanding in trade creditors (2008: 30 days). The Company has no trade creditors. The Group does not follow any code or standard on payment practice.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable donations totalling £4,997 (2008: £2,393) towards community based activities. There were no political donations (2008: none).

MAJOR SHAREHOLDINGS

As at 1 June 2009, 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	29.95	15,141,432
Mr T.R. and Mrs M.E. Winser	7.01	3,542,924
*Rock Nominees Limited	4.00	2,023,336
*Pershing Nominees Limited	3.72	1,880,946
Giltspur Nominees Limited	3.22	1,629,832
Roy Nominees Limited	3.22	1,630,000

*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' INTERESTS

The interests of the Directors, including family interests, in the ordinary shares of the company as at 31 March 2009 are set out below. There have been no changes in these interests between 1 April 2009 and 2 June 2009. Natasha Gadsdon and Jason Scofield are members of the Company's Save As You Earn share option scheme. Further details are given in the Remuneration Report on pages 28 to 30.

	2009	2008
Michael A. Knight	27,990	17,990
Nigel J. Godefroy	151,332	144,832
Natasha C. Gadsdon	77,632	77,632
Jason W.H. Schofield	4,000	4,000
Timothy F.S. Bacon	19,712	10,696
Sheridan K. Brimacombe (Retired 1 December 2008)	N/A	84,248
Anthony D. Everett	14,000	4,000
John A.N Heawood (Appointed 1 December 2008)	7,500	N/A
Malcolm V.L. Pearce	652,000	652,000
J. Keith Sykes (Appointed 1 December 2008)	400,000	N/A

SUBSEQUENT EVENTS

Since the year end, the Group has renewed its £25 million banking facilities for a further eighteen months with effect from May 2009 with interest rates based on LIBOR.

In April 2009, the Group achieved planning consent for development of surplus land at Plymouth City airport and has exchanged contracts on the sale of the majority of the land to a developer.

DIRECTORS AND THEIR INTERESTS

Michael A. Knight

Aged 55. Appointed a Director in July 2005 and Chairman in July 2007. He is also Chairman of the Nomination Committee.

He is a Chartered Accountant and is currently a Non-Executive Director of Charles Taylor Consulting plc. He was formerly a partner of Ernst & Young LLP.

Nigel J. Godefroy

Aged 44. Appointed an Executive Director in October 1996 and Chief Executive in October 2004. He is a member of the Nomination Committee. He is a Chartered Accountant and has been with the Group since 1992.

Natasha C. Gadsdon

Aged 39. Appointed Executive Director in July 2004 and Finance Director in October 2004. She is a Chartered Accountant and has been with the Group since 1996. She has also been the Company Secretary since 2001.

Jason W.H. Schofield

Aged 43. Appointed Executive Director in December 2007. He has been with the Group since June 2007. He is a Chartered Surveyor and previously held senior positions at Hammerson plc and Crest Nicholson.

Timothy F.S. Bacon

Aged 41. Appointed Non-Executive Director in October 2007. He was previously an Executive Director of the Group from July 2004 to October 2007. He is a Chartered Surveyor and has been with the Group since 2000. A member of the Audit Committee.

Anthony D. Everett

Aged 61. Appointed a Non-Executive Director on 1 January 2006. He is Chairman and/or Director of a number of companies in the property, corporate finance and private equity sectors. Appointed Deputy Chairman of the Board and Chairman of the Audit Committee on 1 December 2008. A member of the Remuneration Committee.

Malcolm V.L. Pearce

Aged 70. A Non-Executive Director since 2002, he is a member of the Audit Committee and Remuneration Committee and is the Senior Independent Non-Executive Director. He is the Chairman of the Johnsons Group and is a Director of a number of other companies. He is also a substantial shareholder in the Company.

John A. N. Heawood

Aged 56. Appointed a Non-Executive Director, Chairman of the Remuneration Committee and a member of the Audit Committee on 1 December 2008. He is a Chartered Surveyor, a past member of the CBI property group and Managing Director of Ashtenne Industrial Fund. Previously a Director of Segro plc (formerly Slough Estates plc) and DTZ.

J. Keith Sykes

Aged 76. Appointed a Non-Executive Director and a member of the Audit and Remuneration Committees on 1 December 2008. He is currently a Director of two companies and formerly Chief Executive of Watts, Blake, Bearne & Co. Plc and a Non-Executive Director of TSW – Television South West Holdings Plc. He is also a substantial shareholder in the company.

In accordance with the Company's Articles of Association, Nigel Godefroy, Natasha Gadsdon and Anthony Everett retire by rotation at this year's Annual General Meeting and being eligible offer themselves for re-election. Additionally, John Heawood and Keith Sykes offer themselves for election

DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

During the year KPMG Audit Plc resigned as auditors to the Company and the Group. The Directors appointed PricewaterhouseCoopers LLP to fill the casual vacancy. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board
Natasha Gadsdon
Finance Director
2 June 2009



CORPORATE GOVERNANCE

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 six 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 Chief Executive are separate. Malcolm Pearce is the Senior Independent Non-Executive Director.

COMMITTEES

Remuneration Committee

The Remuneration Committee is chaired by John Heawood and its other members are Michael Knight, Malcolm Pearce, Anthony Everett and Keith Sykes. The Committee within its written terms of reference, determines and agrees with the Board the employment terms and remuneration packages of the Executive Directors. The Report on Remuneration is set out on pages 28 to 30. The Executive Directors make recommendations to the Board regarding the remuneration of Non-Executive Directors. Independent advice on remuneration is taken where considered appropriate.

Audit Committee

The Audit Committee is chaired by Anthony Everett and its other members are Timothy Bacon, Malcolm Pearce, John Heawood and Keith Sykes. The Committee has written terms of reference and provides a forum for reporting by the Group's external auditors. All members of the Committee are Non-Executive Directors although other individuals may be requested to attend all or part of any meeting as the Committee considers appropriate. The Audit Committee is responsible for a wide range of financial matters including the half-year and annual financial statements before submission to the Board and monitoring the internal controls and risk management systems which are in place to ensure the integrity of the financial information reported to the Board. The Committee is also responsible for making recommendations to the Board to be put to shareholders for approval at the AGM, in relation to the appointment and removal of the company's external auditors, determining their remuneration and monitoring the auditors' performance and independence.

Nomination Committee

Members of the Nomination Committee are Michael Knight and Nigel Godefroy. The Nomination Committee is responsible for proposing candidates to the Board having regard to its balance, expertise and structure. The Nomination Committee is also responsible for making recommendations to the Board regarding appointments to the Audit and Remuneration Committees.

RELATIONS WITH SHAREHOLDERS

The Chairman's Statement, the Chief Executive's Report and the Financial Review on pages 4 to 11 include a detailed review of the business and future developments. Shareholders are encouraged to pose questions to the Board at any time of the year and the Board uses the Annual General Meeting to communicate with all shareholders and welcomes their participation.

INTERNAL CONTROL

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

- **Corporate Accounting and Procedures**

There are defined authority limits and controls over acquisitions and disposals. There are also clear reporting lines within the business and risk assessments are undertaken and regularly reviewed in all divisions and at all levels within the Group. Appropriate internal controls are set for all divisions of the business. The Group does not have a separate internal audit department.

- **Quality of Personnel**

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

- **Financial Reporting**

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

- **Investment Appraisal**

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

GOING CONCERN

As described in the Chairman's Statement on pages 4 to 7, the current economic environment is challenging. Having undertaken appropriate procedures, including a review of forecast results, cash requirements and bank covenant compliance, the Directors consider that with the recently extended financing facilities (as set out in note 3 of the financial statements) there is an appropriate level of headroom, and the Group and Company have 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
Company Secretary
2 June 2009



REPORT ON REMUNERATION

REMUNERATION COMMITTEE AND REMUNERATION POLICY

The members of the Committee are as follows:

John A.N. Heawood (appointed Chairman of the Committee 1 December 2008)
Malcolm V.L. Pearce
Michael A. Knight
Sheridan K. Brimacombe (retired as a Director and from the Committee 1 December 2008)
Anthony D. Everett
J. Keith Sykes (appointed 1 December 2008)

The Committee met three 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 where appropriate.

COMPOSITION OF REMUNERATION

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

REMUNERATION FOR EXECUTIVE DIRECTORS

As the proposal concerning the Long Term Incentive Plan for the Executive Directors was not approved by the shareholders at last year's AGM, the Board did not implement any of the new remuneration arrangements meaning bonuses are still determined under the Executive Directors' existing service agreements. In June 2008, Nigel Godefroy, Natasha Gadsdon and Timothy Bacon waived entitlement to their bonuses in respect of the year ended 31 March 2008 as partial offset to the bonuses previously earned in respect of the profits written back as a prior year adjustment in relation to the East Quays scheme. The Remuneration Committee has recommended to the Board that amounts still to be recovered should be by way of offset against future bonus entitlements for Nigel Godefroy and Natasha Gadsdon and against consultancy work for the Company to be undertaken by Timothy Bacon. No bonuses are payable in respect of the year ended 31 March 2009.

The Remuneration Committee is considering alternatives to the current reward structure for the Executive Directors for the 2010/2011 financial year to reflect best practice and to provide suitable remuneration for the Executive Directors consistent with the maximisation of shareholder value.

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:

	2009	2008
	£000	£000
Fees	123	105
Other Emoluments	372	700
Pension Contributions	33	33
	528	838

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

For the year to 31 March 2009	Directors' salaries and other payments £000	Bonuses based on profits of year ended 31 March 2009	Taxable benefits £000	Directors' fees £000	Total 2009 £000
		£000			
Michael A. Knight	-	-	-	38	38
Nigel J. Godefroy	143	-	18	-	161
Natasha C. Gadsdon	94	-	7	-	101
Jason W.H. Schofield	97	-	13	-	110
Timothy F.S. Bacon	-	-	-	19	19
Sheridan K. Brimacombe (Retired 1 December 2008)	-	-	-	14	14
Anthony D. Everett	-	-	-	19	19
John A.N Heawood (Appointed 1 December 2008)	-	-	-	7	7
Malcolm V.L. Pearce	-	-	-	19	19
J. Keith Sykes (Appointed 1 December 2008)	-	-	-	7	7
	334	-	38	123	495

For the year to 31 March 2008	Directors' salaries and other payments £000	Bonuses based on profits of year ended 31 March 2008*	Bonuses based on profits of year ended 31 March 2007**	Total bonuses £000	Taxable benefits £000	Directors' fees £000	Total 2008 £000
		£000	£000				
Michael A. Knight (Appointed Chairman 11 July 2007)	-	-	-	-	-	31	31
M. Ellen Winsor (Retired 11 July 2007)	-	-	-	-	-	12	12
Nigel J. Godefroy	139	-	97	97	17	-	253
Natasha C. Gadsdon	94	-	66	66	6	-	166
Jason W.H Schofield (Appointed 1 December 2007)	31	14	-	14	6	-	51
Malcolm Naylor (Retired 31 May 2007)	75	1	-	1	-	-	76
Timothy F.S. Bacon (Non-Executive Director from 31 October 2007)	86	-	66	66	2	8	162
Sheridan K. Brimacombe	-	-	-	-	-	18	18
Anthony D. Everett	-	-	-	-	-	18	18
Malcolm V.L. Pearce	-	-	-	-	-	18	18
	425	15	229	244	31	105	805

* Paid June 2008 – Bonuses of £60,000 for Nigel J. Godefroy, £41,000 for Natasha C. Gadsdon and £24,000 for Timothy F. S Bacon were waived before they were paid and hence these comparative figures have been adjusted accordingly

** Paid June 2007

The pension contributions made in respect of the Executive Directors were:

	2009 £000	2008 £000
Nigel J. Godefroy	14	14
Natasha C. Gadsdon	9	9
Jason W.H. Schofield (appointed 1 December 2007)	10	3
Timothy F.S. Bacon (Non-Executive Director from 31 October 2007)	-	5
Malcolm Naylor (retired 31 May 2007)	-	2
	33	33

SHARE OPTIONS

The Company has a 'Save As You Earn' scheme in which employees, including the Executive Directors, can participate. Non-Executive Directors are not eligible to join the scheme.

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 outstanding SAYE options are provided below:

	At 1 April 2007	Number of options granted during the year	Number of options lapsed during the year	Number of options cancelled during the year	At 31 March 2009	Exercise Price	Date from which exercisable	Expiry date
Nigel J. Godefroy	20,740	-	-	(20,740)	-	N/A	N/A	N/A
Natasha C. Gadsdon	11,851	-	-	-	11,851	81p	1 Mar 2011	31 Aug 2011
Jason W.H. Schofield	8,296	-	-	-	8,296	81p	1 Mar 2013	31 Aug 2013

The market value of the shares was 43.5p as at 31 March 2009. The maximum and minimum value of the shares during the year were 102p and 30p respectively. No share options were exercised in either year.

OTHER PAYMENTS

Malcolm Naylor retired from the Group on 31 May 2007 and received a non-contractual payment of £57,500 on that date. Timothy Bacon stood down as Executive Director on 31 October 2007 and received a non-contractual payment of £30,000 on that date. These amounts are included within the figures for the year ended 31 March 2008.

CONTRACTS

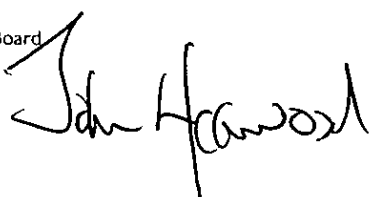
On 26 September 2001, the Group entered into a revised service contract with Nigel Godefroy. Under this agreement he is employed as a full time Executive Director with a one year rolling contract. He was appointed Chief Executive in October 2004.

On 1 July 2004, the Group entered into a service contract with Natasha 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 1 December 2007, the Group entered into a service contract with Jason Schofield. Under this agreement he is employed as a full time Executive Director with a one year rolling contract.

On behalf of the Board

John Heawood
Director
2 June 2009



Statement of Directors' Responsibilities

For the year ended 31 March 2009

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 Group and the parent company 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 prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The group and parent company financial statements are required by law to 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 company and group 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 that the Group financial statements comply with IFRSs as adopted by the European Union, and with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the Group and parent company financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Natasha Gadsdon
Company Secretary
2 June 2009



Independent Auditors' Report

For the year ended 31 March 2009

Independent Auditors' Report to the members of Sutton Harbour Holdings plc.

We have audited the group financial statements of Sutton Harbour Holdings plc for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Sutton Harbour Holdings plc for the year ended 31 March 2009.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive's Report and the Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Report, the Financial Review and all of the other information listed on the contents page excluding the parent company financial statements on pages 69 to 77. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group 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 Group 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 Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Bristol

2 June 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Note	2009 £000	2008 £000
Continuing operations			
Revenue	5	29,262	29,237
Cost of sales		(28,185)	(25,290)
Gross profit		1,077	3,947
Other operating income	24	19	20
Administrative expenses		(1,428)	(1,702)
Other operating expenses		(10)	(33)
Loss on disposal of investment property	15	(267)	-
Operating (loss)/profit before fair value adjustments on investment property		(609)	2,232
Fair value adjustments on investment property	15	(2,787)	2,828
Operating (loss)/profit	5.6	(3,396)	5,060
Financial income	9	95	251
Financial expense	9	(962)	(835)
Net financing costs		(867)	(584)
Realised gain on disposal of interest in joint venture company	16	908	-
Unrealised gain on exchange of shares in associate company	16	-	1,106
Share of loss of joint venture using the equity accounting method	16	(95)	-
Share of loss of associate using the equity accounting method	16	-	(125)
		813	981
(Loss)/profit before tax		(3,450)	5,457
Taxation	10	996	(884)
(Loss)/profit for the year attributable to equity shareholders	28	(2,454)	4,573
Basic earnings per share	12	(4.86)p	9.10p
Diluted earnings per share	12	(4.86)p	8.94p

The notes on pages 37 to 67 are an integral part of these consolidated financial statements.

Consolidated Statement of Recognised Income and Expense

For the year ended 31 March 2009

	Note	2009 £000	2008 £000
Revaluation of property, plant and equipment	13	(768)	(2,036)
Deferred taxation on income and expenses recognised directly in equity	28	11	575
Effective portion of changes in fair value of cash flow hedges		156	-
Net expense recognised directly in equity		(601)	(1,461)
(Loss)/profit for the year		(2,454)	4,573
Total recognised (expense)/income for the year attributable to equity shareholders		(3,055)	3,112

The notes on pages 37 to 67 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2009

	Note	2009 £000	2008 £000
Non-current assets			
Property, plant and equipment	13	35,946	33,853
Intangible assets	14	507	541
Investment property	15	20,833	28,131
Investment in joint venture	16	-	2,020
Other financial assets	17	130	130
		57,416	64,675
Current assets			
Inventories	20	10,390	5,448
Trade and other receivables	21	3,149	3,950
Cash and cash equivalents	22	6	6
Derivative financial instruments	18	1,360	82
Tax receivable		157	481
		15,062	9,967
Total assets		72,478	74,642
Current liabilities			
Bank overdraft	22	19,142	13,406
Other interest-bearing loans and borrowings	23	1,008	1,013
Trade and other payables	25	6,068	6,808
Deferred income	24	3,647	3,362
Deferred government grants	24	18	20
Derivative financial instruments	18	752	-
Provisions for other liabilities and charges	27	291	229
		30,926	24,838
Non-current liabilities			
Other interest-bearing loans and borrowings	23	468	3,718
Deferred government grants	24	297	314
Deferred tax liabilities	19	5,093	6,088
Derivative financial instruments	18	234	-
Provisions for other liabilities and charges	27	46	-
		6,138	10,120
Total liabilities		37,064	34,958
Net assets		35,414	39,684
Equity and reserves			
Share capital	28	12,640	12,622
Share premium	28	10	3
Other reserves	28	9,928	9,827
Retained earnings	28	12,836	17,232
Total equity		35,414	39,684

The notes on pages 37 to 67 are an integral part of these consolidated financial statements.

The Financial Statements on pages 34 to 67 were approved by the Board of Directors on 2 June 2009 and were signed on its behalf by:


Michael A. Knight
Chairman

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 £000	2008 £000
Cash flows from operating activities			
(Loss)/profit for the year		(2,454)	4,573
Adjustments for:			
Taxation	10	(996)	884
Share of loss of associate		-	125
Share of loss of joint venture		95	-
Financial income		(95)	(251)
Financial expense		962	835
Fair value adjustments on investment property	15	2,787	(2,828)
Unrealised gain on exchange of shares in associate company	16	-	(1,106)
Realised gain on disposal of interest in joint venture company	16	(908)	-
Loss on remeasurement of derivative financial instruments to fair value		82	-
Gain on ineffective portion of cash flow hedge		(217)	-
Depreciation and amortisation		1,019	723
Amortisation of grants	24	(19)	(20)
Loss on disposal of investment property	15	267	-
Loss on sale of property, plant and equipment		10	33
Equity settled share-based payment expenses	26	(28)	44
Cash generated from operations before changes in working capital and provisions		505	3,012
(Increase) in inventories		(4,672)	(3,553)
Decrease in trade and other receivables		801	127
(Decrease)/increase in trade and other payables		(688)	989
Increase in deferred income		285	26
(Decrease)/increase in provisions*		(183)	189
Cash (used in)/generated from operations		(3,952)	790
Tax received/(paid)		334	(578)
Net cash (used in)/generated from operating activities		(3,618)	212
Cash flows from investing activities			
Proceeds from sale of investment property	15	8,700	-
Proceeds from sale of property, plant and equipment		13	18
Expenditure on investment property	15	(6,357)	(7,088)
Expenditure on property, plant and equipment	13	(1,716)	(2,402)
Interest received		95	162
Net proceeds from disposal of interest in joint venture	16	2,722	-
Equalisation receipt in relation to joint venture		111	-
Costs relating to new joint venture company	16	-	(40)
Net cash generated from/(used in) investing activities		3,568	(9,350)
Cash flows from financing activities			
Proceeds from the issue of share capital	28	25	2,427
Issue costs relating to the issue of share capital	28	-	(94)
Proceeds from borrowings	23	4,857	2,350
Interest paid		(1,244)	(812)
Repayment of borrowings	23	(8,112)	(980)
Dividends paid	11	(1,212)	(1,098)
Net cash (used in)/generated from financing activities		(5,686)	1,793
Net decrease in cash and cash equivalents		(5,736)	(7,345)
Cash and cash equivalents at beginning of the year		(13,400)	(6,055)
Cash and cash equivalents at end of the year	22	(19,136)	(13,400)

*Excluding movement on vacant property provision which is included within loss on disposal of investment property.

The notes on pages 37 to 67 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 March 2009

1. General information

Sutton Harbour Holdings plc ('the Company') and its subsidiaries are together referred to as 'the Group'. The Group is headquartered at Sutton Harbour, Plymouth and owns and operates the harbour and its ancillary facilities. The other principal activities of the Group are property regeneration, investment and development, provision of transportation and related facilities and the operation of an airline.

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

2. Group accounting policies

Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and joint ventures.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as endorsed by the European Union, and those parts of the Companies Acts 1985 and 2006 as applicable to companies reporting under IFRS. The Company has elected to prepare its parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice; these are presented on pages 70 to 77.

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.

The Directors reviewed the consistency of the presentation of items in the income statement and have reanalysed £237,000 of expenses relating to the year ended 31 March 2008 from cost of sales to administrative expenses, which more appropriately reflects the nature of these items. There was no impact on the profit for the year ended 31 March 2008 as a result of these changes.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss, investment property and freehold and long leasehold land and buildings held within property, plant and equipment. Non-current assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Basis of consolidation

The consolidated accounts include the accounts of Sutton Harbour Holdings plc and entities controlled by the Company (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. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Joint ventures

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of jointly controlled entities on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

Contribution of non-monetary assets on the formation of joint ventures

Where non-monetary assets are contributed on the formation of a new joint venture, to the extent that the Group retains an ownership interest in the contributed assets, that retained interest is included at its pre-transaction carrying amount; to the extent that the Group acquires a share of net assets, through its new interest in the joint venture, these are recognised at fair value, with the difference between these and the fair value of the consideration being accounted for as goodwill. This goodwill is included within the cost of the investment of the new joint venture. The Group recognises a gain, or a loss, if the fair value of the share of the business acquired exceeds, or is less than, respectively, the share of the book value of the assets conceded to the other venturer and any cash paid.

Notes to the Financial Statements

For the year ended 31 March 2009

Property, plant and equipment

Plant and machinery, fixtures and fittings and aircraft are stated at cost less accumulated depreciation and impairment losses.

Paintings and antiques are stated at cost.

Land and buildings are stated at fair value.

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

Freehold land and buildings

Long leasehold land and buildings

Freehold investment property in the course of construction

Plant and machinery

Fixtures and fittings

Aircraft

Paintings and antiques

Freehold and long leasehold land and buildings

Freehold and long leasehold land and buildings fall into three categories:

- Freehold properties that are mainly owner occupied, or that are an integral part of the Group's harbour operations
- Specialised freehold properties that are an integral part of the Group's harbour operations (marina including the lock and quays, and fishmarket)
- Specialised leasehold properties that are an integral part of the Group's airport operations.

The properties are initially recorded at cost and are subsequently revalued and stated at their fair value less accumulated depreciation and impairment losses. Fair value is based on regular valuations by an external independent valuer and is determined from market-based evidence by appraisal. Specialised properties have no market-based value because of their specialised nature and an income-based approach is used instead. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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.

Plant and machinery, fixtures and fittings, aircraft and paintings and antiques

Plant and machinery, fixtures and fittings, aircraft, paintings and antiques are all stated at cost less accumulated depreciation and impairment losses.

Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where buildings are held under finance leases the accounting treatment of leases of any associated land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Leased properties are subsequently revalued to their fair value.

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

Depreciation

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment. Estimated useful lives and residual values are reassessed annually. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Land is not depreciated. The Group have a policy of depreciating freehold buildings but the charge is not material so is not included in the financial statements. The estimated useful lives and depreciation basis of assets are as follows:

Leasehold buildings	(straight line)	remaining period of lease
Plant and machinery	(reducing balance)	10% to 25%
Fixtures and fittings	(straight line)	10 - 25 years
Rotable aircraft components	(straight line)	10 years
Dash 8 aircraft	(straight line)	6 years
Dash 8 maintenance	(straight line)	over period until next overhaul

The cost of major maintenance overhauls on owned aircraft is capitalised to the balance sheet and amortised over the period until the next overhaul. For aircraft held under operating leases, provision is made for major maintenance overhauls based on estimated costs.

Notes to the Financial Statements

For the year ended 31 March 2009

Intangible assets

Landing Rights and Licences

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Landing rights	20 years
Licences	20 years

Landing rights to slots at London Gatwick Airport were acquired by Air South West Limited in 2003.

Licences comprise costs incurred to achieve various operating licences in connection with operation of scheduled air services by Air South West Limited.

Investment property

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

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

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

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

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Inventories – development property

Land identified for development and sale, and properties under construction or development and held for resale, are included in current assets at the lower of cost and net realisable value. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Cash and cash equivalents

Cash in the balance sheet comprises cash at bank and in hand. Bank overdrafts 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 only for the purpose of the statement of cash flows. Offset arrangements across group businesses are applied to arrive at the net overdraft figure.

Non-current assets held for sale

A non-current asset or a group of assets containing a non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year. Immediately before classification as held for sale the asset is remeasured and thereafter measured at the lower of carrying amount and fair value less costs to sell with any adjustments taken to the income statement.

Notes to the Financial Statements

For the year ended 31 March 2009

Impairment

The carrying amounts of the Group's assets other than investment property and inventories are considered at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Where the carrying amount of an asset exceeds its recoverable amount it is impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the Group's financial assets is calculated as the present value of estimated future cash flows, discounted at an appropriate discount rate taking into account the time value of money and the risks associated with expected future cashflows. The recoverable amount of non-financial assets is the higher of their fair value less costs to sell and their value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.

Derivative financial instruments and hedging activities

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 18. Movements on the hedging reserve in shareholders' equity are shown in note 28. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

Cash flow hedges

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

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

Derivatives at fair value through profit and loss and accounted for at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement.

As at 31 March 2008, the Group had not applied hedge accounting. The fair value movement of all hedges was therefore recorded in the income statement. From 1 April 2008, the Group has applied hedge accounting for all hedge contracts entered into from 1 April 2008. The effective part of any gain or loss on the cash flow hedges is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

Interest-bearing borrowings

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

Own shares

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

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value-added-tax, rebates and discounts. Revenue is recognised once the value of the transaction can be reliably measured and the significant risks and rewards of ownership have been transferred. The following criteria must also be met before revenue is recognised:

Rent and marina and berthing fees

Rent and marina and berthing fees are typically invoiced in advance and are accounted for as deferred income and recorded to revenue during the period to which they relate.

Lease incentives and costs associated with entering into tenant leases are amortised over the lease term.

Notes to the Financial Statements

For the year ended 31 March 2009

Other marine related revenue

Fuel sales, landing dues and other ancillary incomes, are recorded to revenue at the point of sale.

Airline

Advance flight bookings, net of passenger taxes, are treated as deferred income in the balance sheet until the service has been provided, at which point the income is recognised as revenue in the income statement. Ancillary income including credit card fees, excess baggage charges, sporting equipment fees, change fees, in-flight sales of food and beverages, commissions received from products and services sold such as hotel and car hire and travel insurance less chargebacks, are recognised in revenue on the date that the right to receive the consideration occurs. For commission received on hotel bookings and car hire, the date that the right to receive the consideration occurs is the date that the hotel or car booking becomes non-refundable. As the airline is acting as an agent, the only revenue recognised on these bookings is the commission earned.

Airport

The majority of airport income is received from aircraft landing fees and fuel sales. Fuel sales are recognised at the point of sale. Aircraft landing fees are levied as the aircraft lands and are recognised as income immediately.

Construction contracts and project management services

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract at the balance sheet date. The stage of completion of a contract is determined by an internal survey of the work performed. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Variations in contract work are included in contract revenue when it is probable that the customer will approve the variation and the amount of revenue arising from the variation, and the amount of revenue can be measured reliably. Claims arising in relation to contract work are included in contract revenue only when negotiations have reached an advance stage such that it is probable that the customer will accept the claim and the amount that it is probable will be accepted by the customer can be measured reliably.

This policy also covers the treatment of profit arising from the provision of project management services. The stage of completion is determined by reference to achievement of milestone events. Fees for management services may be recognised to the extent that they are non-refundable and the milestone events which triggered them becoming receivable have passed.

Property sales

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

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 a deferred income account and released to the income statement over the estimated useful economic lives of the assets to which they relate. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Car park revenue

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

Operating lease payments

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

Net financing costs

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. The fair value movement of derivative financial instruments and the ineffective portion of cash flow hedges are also included within net financing costs.

Borrowing costs

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

Employee benefits: defined contribution plans

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

Notes to the Financial Statements

For the year ended 31 March 2009

Employee benefits: share-based payment transactions

The share option programme allows Group employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. 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.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

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. For aircraft held under operating leases, provision is made for major maintenance overhauls that are contractually required based on estimated costs.

Taxation

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax is recognised on all temporary differences except on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Dividends

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

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares including share options granted to employees.

Notes to the Financial Statements

For the year ended 31 March 2009

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments. The following business segments have been identified:

Marine Activities
Regeneration
Transport

Revenue included within each segment is as follows:

Marine Activities:

Marina and berthing fees
Other marine related revenue including fuel sales, landing dues and other ancillary income

Regeneration:

Rent
Property sales
Car park revenue

Transport:

Flight bookings net of passenger taxes
Ancillary income including credit card fees, excess baggage charges, sporting equipment fees, change fees, in-flight sales of food and beverages, commissions received from products and services sold
Aircraft landing fees and fuel sales

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

IFRS not yet applied

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2008, but are not currently relevant for the Group:

- IFRIC 12, 'Service Concession Arrangements' – not applicable to current activity.
- Amendments to IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosures' - no impact on current activities.

The following new standards, amendments to standards or interpretations have been issued, but are not effective for the financial year beginning 1 April 2008 and have not been adopted early:

- IFRS 1 (revised and further amendments), 'First-time Adoption' – no impact as the Group has already adopted IFRS for the first time.
- Amendments to IFRS 2, 'Share-based Payment' - no impact on current activities.
- IFRS 3 (revised), 'Business Combinations' – no impact on current activities.
- IFRS 8 'Operating Segments' effective for accounting periods beginning on or after 1 January 2009 – the Group is currently reviewing whether IFRS 8 will mean that the Group has more or less reportable segments.
- IAS 1 (revised), 'Presentation of Financial Statements' – will impact the presentation of the consolidated income statement, consolidated statement of recognised income and expense and consolidated balance sheet when adopted for the accounting period beginning 1 April 2009.
- IAS 23 (revised), 'Borrowing Costs' – no impact as the Group currently capitalises qualifying interest.
- IAS 27 (revised), 'Consolidated and Separate Financial Statements' – no impact on current activities.
- Amendments to IAS 32, 'Financial Instruments: Presentation' - no impact on current activities.
- Further amendments to IAS 39, 'Financial Instruments: Recognition and Measurement' - no impact on current activities.
- IFRIC 13, 'Customer Loyalty Programmes' – not applicable to current activity.
- IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' – not applicable to current activity.
- IFRIC 15, 'Agreements for the Construction of Real Estate' – based on current activity it is not believed that this will impact on the current accounting policies.
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' – not applicable to current activity.
- IFRIC 17, 'Distributions of Non-cash Assets to Owners' – not applicable to current activity.
- IFRIC 18, 'Transfers of Assets from Customers' – not applicable to current activity.

Notes to the Financial Statements

For the year ended 31 March 2009

3. Financial risk management

Capital risk management

The capital structure of the Group consists of debt which includes the borrowings disclosed in notes 22 and 23 and shareholders' equity comprising issued share capital, reserves and retained earnings disclosed in note 28.

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 below 50% but gearing may exceed these levels where a property project is in final stages before ultimate disposal. 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:

	2009 £000	2008 £000
Overdraft and loans	(20,618)	(18,137)
Cash and cash equivalents	6	6
Net debt	(20,612)	(18,131)
Equity	35,414	39,684
Net debt to equity ratio	58.2%	45.7%

Covenants

The Group's core debt facilities are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators on a quarterly basis. In May 2009, a new bank facility agreement was entered into for core debt facilities of £25 million with an eighteen-month term, together with additional specific project finance facilities of £3.5 million. The new facilities are subject to improved covenant clauses, which will be tested quarterly. Based on the forecast results and cash requirements of the Group for a period extending beyond twelve months from the date of signing these financial statements, the Directors are of the opinion that the facilities are adequate and the relevant covenant requirements will be met over that period.

Liquidity risk

The Group uses financial instruments, comprising bank overdraft 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. Details of the financial instruments in place during the year are given in note 18. 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. Since the year end, the Group has renewed its bank facilities for an eighteen month period. The Group has the ability to manage its liquidity through the timing of development projects and also the timing of sale of assets.

Contractual maturity

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

As at 31 March 2009:	Total £000	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000
Secured bank loans:				
GBP floating rate aircraft loan	(1,248)	(922)	(326)	-
Unsecured bank loans	(263)	(111)	(113)	(39)
Bank overdraft	(19,479)	(19,479)	-	-
Trade and other payables	(6,068)	(6,068)	-	-
Derivative financial instruments	(986)	(752)	(234)	-
	(28,044)	(27,332)	(673)	(39)

Notes to the Financial Statements

For the year ended 31 March 2009

As at 31 March 2008:	Total £000	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000
Secured bank loans:				
GBP floating rate aircraft loan	(2,307)	(1,020)	(957)	(330)
GBP floating rate development loan	(2,603)	(145)	(2,458)	-
Unsecured bank loans	(256)	(113)	(113)	(30)
Bank overdraft	(14,244)	(14,244)	-	-
Trade and other payables	(6,808)	(6,808)	-	-
	(26,218)	(22,330)	(3,528)	(360)

The following tables analyse the Group's gross settled derivative financial instruments 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 cashflows.

As at 31 March 2009:	Total £000	Less than 1 year £000
Forward foreign exchange contracts – cash flow hedges:		
- Outflow	(1,971)	(1,971)
- Inflow	2,470	2,470

As at 31 March 2008:	Total £000	Less than 1 year £000
Forward foreign exchange contracts – cash flow hedges:		
- Outflow	(1,814)	(1,814)
- Inflow	1,854	1,854

Interest rate risk

LIBOR rates have been fixed at 1.88% on £15 million of borrowings until 31 January 2011 by way of an interest rate swap.

Foreign currency risk

Many of the costs of running the airline are denominated in US Dollars. The Group continues to hedge exchange rate exposure by taking out forward contracts to cover the forthcoming year's expenditure.

Sub-contractor risk

The Group engages sub-contractors to deliver significant regeneration projects. In order to minimise the risk of reliance on sub-contractors, the Group only contracts with reputable developers and typically pays in arrears for the value of work done to date.

Notes to the Financial Statements

For the year ended 31 March 2009

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. Airline tickets, property rentals and marina berthing are all 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:

	2009 £000	2008 £000
Trade receivables:		
New customers (less than 6 months)	44	118
Existing customers (more than 6 months) with no defaults in the past	972	1,535
Existing customers (more than 6 months) with some defaults in the past	301*	72
Total trade receivables	1,317	1,725
Other financial assets:		
Supplier with long standing relationship with the Group	130	130
Total other financial assets	130	130
Derivative financial instruments:		
Financial institutions rated A+ (Standard and Poor's)	1,360	82
Total derivative financial instruments	1,360	82

*The majority of this balance is in relation to one specific project. The balance is not in dispute and the Directors are confident of full recovery of this amount.

Commodity price risk

The Group has continued to experience high fuel prices throughout the year. The Group actively monitors fuel prices and seeks to hedge future fuel price exposure when market conditions are judged favourable. The Group has hedged 77% of the fuel requirement for the first six months of the next financial year.

Sensitivity analysis

In managing interest rate and currency 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 foreign exchange and interest rates would have an impact on consolidated earnings.

At 31 March 2009, it is estimated that a general increase of half a percentage point in interest rates would have decreased the Group's profit before tax by approximately £102,000 (2008: a general decrease of half a percentage point, increase in profit of £35,000). Net assets would have decreased by the same amount.

It is estimated that a general increase of two percentage points in the value of the US dollar and euro against sterling would have decreased the Group's profit before tax for the year ended 31 March 2009 by approximately £30,000 (2008: a general decrease of two percentage points, increase in profit of £89,000). Unhedged forward exchange contracts have been included in this calculation. Net assets would have decreased by the same amount.

It is estimated that a 5% increase in the cost of fuel would have decreased the Group's profit before tax for the year ended 31 March 2009 by approximately £261,000 (2008: £63,000). Net assets would have decreased by the same amount.

Notes to the Financial Statements

For the year ended 31 March 2009

Fair values

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

	Carrying amount 2009 £000	Fair value 2009 £000	Carrying amount 2008 £000	Fair value 2008 £000
Financial assets				
Loan to joint venture*	-	-	894	914
Other financial assets	130	130	130	130
Cash and cash equivalents	6	6	6	6
Derivative financial instruments	1,360	1,360	82	82
Financial liabilities				
Bank overdraft	19,142	19,142	13,406	13,406
Derivative financial instruments	986	986	-	-
Secured bank loans	1,225	1,225	4,475	4,475
Unsecured bank loans	251	251	256	256

The fair value of the loan to associate, the loan to joint venture and the secured bank loans have been calculated using an effective interest rate calculation. The carrying amounts of other financial assets and financial liabilities including trade receivables and trade payables approximate their fair value.

* Loan to joint venture is included within investment in joint venture in the balance sheet.

4. Accounting estimates and judgements

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

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

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

- The valuation of investment property and property held for use in the business:
In determining the fair value of properties, the Board relies on external valuations carried out by professionally qualified 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.
- The calculation of deferred tax assets and liabilities:
The Group has not recognised deferred tax assets in respect of certain properties due to a high degree of uncertainty of the timing of when the asset may be realised.
- The level of provision required for aircraft maintenance overhauls:
The Group bases its estimates on the number of hours flown, the expected interval between services, the cost of prior overhauls and industry experience.
- Determining whether a lease is a finance lease or an operating lease:
The Board has exercised judgement in considering the potential transfer of risks and rewards in accordance with IAS 17 'Leases' for all property leased to tenants and for all property leased by the Group.
- Determining the share-based payment charge:
In determining the share-based payment charge, estimates have been made in relation to the volatility of the Company's share price, the expected life of the options and the dividend yield.
- The level of provision required for leased vacant property:
The Board has relied on the knowledge of internal and external property professionals in determining the period of time for which leased property may be vacant, and hence the level of provision required.
- Determining the net realisable value of development property:
The Board has exercised judgement in determining the net realisable value of development property, and hence whether any write-down of development property is required.

Notes to the Financial Statements

For the year ended 31 March 2009

5. Segment results

The Group's primary format for segment reporting is based on business segments. All of the Group's operations are carried out in the United Kingdom. The Group therefore has only one geographical segment.

Business segments:	Marine Activities		Regeneration		Transport		Unallocated		Consolidated	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Total external segment revenue	4,399	4,315	1,420	3,710	23,443	21,212	-	-	29,262	29,237
Segment result prior to fair value adjustments on investment property	1,263	1,101	407	2,187	(851)	646	(1,428)	(1,702)	(609)	2,232
Fair value adjustments on investment property	-	-	(2,787)	2,828	-	-	-	-	(2,787)	2,828
Segment result after fair value adjustments on investment property and operating (loss)/profit	1,263	1,101	(2,380)	5,015	(851)	646	(1,428)	(1,702)	(3,396)	5,060
Financial income									95	251
Financial expense									(962)	(835)
Realised gain on disposal of interest in joint venture company									908	-
Unrealised gain on exchange of shares in associate company									-	1,106
Share of loss of joint venture									(95)	-
Share of loss of associate									-	(125)
Taxation									996	(884)
(Loss)/profit for the year									(2,454)	4,573
Assets and liabilities										
Segment assets	21,484	21,117	32,430	34,600	17,687	15,933	720	491	72,321	72,141
Investment in equity accounted joint venture									-	2,020
Tax assets									157	481
Total assets									72,478	74,642
Segment liabilities	1,480	1,511	2,517	5,413	8,408	8,184	19,566	13,762	31,971	28,870
Tax liabilities									5,093	6,088
Total liabilities									37,064	34,958

Other segment information	Marine Activities		Regeneration		Transport		Unallocated		Consolidated	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Capital expenditure including capitalised interest:										
Property, plant and equipment	547	1,220	6	-	1,094	1,550	69	155	1,716	2,925
Investment property	-	-	6,532	7,791	-	-	-	-	6,532	7,791
Depreciation	31	36	5	-	863	565	86	87	985	688
Amortisation	-	-	-	-	34	35	-	-	34	35
Provisions - charge to the income statement	-	-	291	-	110	189	-	-	401	189

Unallocated assets include various property, plant and equipment and prepayments that cannot be split between the various business segments because the revenue that the assets generate cannot be specifically matched to one individual segment. Unallocated liabilities include the bank overdraft of £19,142,000 (2008: £13,406,000) and various accruals and other creditors that cannot be split between the various business segments because the revenue that the liabilities are used to generate cannot be specifically matched to one individual segment. 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.

Notes to the Financial Statements

For the year ended 31 March 2009

Revenue can be divided into the following categories:

	2009	2008
	£000	£000
Sale of goods	3,405	3,252
Sale of land and property	-	1,630
Rental income	1,771	1,745
Provision of services	4,069	4,846
Airline ticket sales	20,017	17,764
	29,262	29,237

6. Group operating (loss)/profit

Group operating (loss)/profit is stated after charging/(crediting):

	2009	2008
	£000	£000
Additions to provisions (note 27)	401	189
Rental income from investment property and property used in the trade	(1,771)	(1,745)
Loss on sale of property, plant and equipment	10	33
Direct operating expenses of investment property that generated rental income (including repairs & maintenance)	173	122
Loss/(gain) on remeasurement of investment property to fair value (note 15)	2,787	(2,828)
Depreciation of property, plant and equipment (note 13)	985	688
Amortisation of intangibles (note 14)	34	35
Foreign exchange (gain) / loss	17	53
Operating lease payments (note 29)	713	633

7. Services provided by the company's auditor

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

	2009	2008
	£000	£000
<i>Current auditors:</i>		
Fees payable to company's auditor for the audit of parent company and consolidated financial statements	10	-
Fees payable to the company's auditor for other services:		
The audit of company's subsidiaries pursuant to legislation	40	-
Tax services	20	-
	2009	2008
	£000	£000
<i>Predecessor auditors:</i>		
Fees payable to company's auditor for the audit of parent company and consolidated financial statements	18	10
Fees payable to the company's auditor for other services:		
The audit of company's subsidiaries pursuant to legislation	-	53
Tax services	61	79
Other services - accounting advice in connection with the Group's IFRS transition	-	44
Other services	6	17

Notes to the Financial Statements

For the year ended 31 March 2009

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	
	2009	2008
Marine Activities	21	20
Property and Regeneration	9	11
Transport	171	166
Administration	17	18
	218	215

The aggregate payroll costs of these persons were as follows:

	2009		2008	
	£000		£000	
Wages and salaries	6,318		6,511	
Share based payments (See note 26)	(28)		44	
Social security costs	628		643	
Other pension costs	367		371	
	7,285		7,569	

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

	2009		2008	
	£000		£000	
Fees	123		105	
Other Emoluments	372		700	
Pension Contributions	33		33	
	528		838	

Further details of directors' remuneration are given in the remuneration report on pages 28 to 30.

9. Financial income and financial expense

	2009		2008	
	£000		£000	
Interest receivable on loan to associate	-		129	
Interest receivable on loan to joint venture	30		-	
Other interest receivable	65		32	
Gain on remeasurement of derivative financial instrument to fair value	-		90	
Financial income	95		251	
Bank overdraft and bank borrowings interest payable	962		821	
Loss on remeasurement of derivative financial instrument to fair value	-		14	
Financial expense	962		835	

Borrowing costs capitalised in the year amounted to £229,000 (2008: £8,000). The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation were between 0.9% above bank base rate and 1.5% above LIBOR (2008: 6.15%).

For the year to 31 March 2008, the gain/loss of derivative financial instruments in relation to US\$ and fuel was included within financial income and financial expense. From 1 April 2008, the gain/loss of derivative financial instruments in relation to US\$ and fuel has been included within cost of sales to match with the items that they are in relation to. The prior year has not been restated as the amounts are not material.

Notes to the Financial Statements

For the year ended 31 March 2009

10. Taxation

	2009	2008
	£000	£000
Current tax		
Current tax on profits for the year	112	613
Adjustments in respect of previous years	(124)	(272)
Total current tax	(12)	341
Deferred tax		
Origination and reversal of temporary timing differences	(923)	424
Adjustments in respect of previous years	(61)	119
Total deferred tax	(984)	543
Total tax in income statement	(996)	884

	2009	2008
	£000	£000
Reconciliation of effective tax rate		
(Loss)/profit before tax	(3,450)	5,457
Tax using the UK corporation tax rate of 28% (2008:30%)	(966)	1,637
Expenses not deductible for tax purposes	155	79
Loss on revaluations not recognised	-	273
Removal of Industrial Building Allowances - deferred tax balances	-	(553)
Impact of change in tax rates	-	(399)
Adjustments to tax charge in respect of previous years	(185)	(153)
Total tax in income statement	(996)	884

11. Dividends paid on equity shares

The following dividends were declared and paid by the Group:

	2009	2008
	£000	£000
Ordinary shares		
Final dividend paid in respect of year ended 31 March 2008 but not recognised as a liability in that year 1.5p per share (2008: Final dividend paid in respect of year ended 31 March 2007 1.275p per share as adjusted for the one for one capitalisation issue)	757	644
Interim dividend paid in respect of the year ended 31 March 2009 0.9p per share (2008: Interim dividend in respect of the year ended 31 March 2008 0.9p per share)	455	454
Aggregate of dividends paid in the financial year	1,212	1,098

The Board of Directors proposes a final dividend on profit for the year ended 31 March 2009 of 1.0p per share (£505,607) which together with the interim dividend of 0.9p per share (£454,969) gives a total dividend for the year of 1.9p per share (£960,576). As the final dividend has neither been voted by the shareholders nor been paid, it has not been charged to the income statement and is not recognised as a liability.

Notes to the Financial Statements

For the year ended 31 March 2009

12. Earnings per share

	Year Ended 31 March 2009 pence	Year Ended 31 March 2008 pence
Basic earnings per share	(4.86)p	9.10p
Diluted earnings per share	(4.86)p*	8.94p

Basic earnings per share

Basic earnings per share have been calculated using the loss for the year of £2,454,000 (2008: profit of £4,573,000) and the 50,510,732 (2008: 50,277,718) average number of ordinary shares in issue, excluding those options granted under the SAYE scheme.

Diluted earnings per share

Diluted earnings per share uses an average number of 50,510,732 (2008: 50,277,718) ordinary shares in issue, and takes account of the outstanding options under the SAYE scheme 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 9,696 (2008: 898,845), is calculated as follows:

	2009	2008
Weighted average number of shares at 31 March	50,510,732	50,277,718
Effect of share options in issue	9,696	898,845
Weighted average number of ordinary shares (diluted) at 31 March	50,520,428	51,176,563

*The 2009 diluted earnings per share is the same as the basic earnings per share due to the fact that there has been a loss for the year.

Notes to the Financial Statements

For the year ended 31 March 2009

13. Property, plant and equipment

	Freehold land and buildings £000	Long leasehold land and buildings £000	Plant and machinery, fixtures and fittings £000	Aircraft £000	Paintings and antiques £000	Total £000
Cost or valuation						
Balance at 1 April 2007	21,143	4,514	3,033	6,794	76	35,560
Additions	1,208	49	626	1,042	-	2,925
Revaluations	(2,806)	770	-	-	-	(2,036)
Transfer to investment property	-	(333)	-	-	-	(333)
Transfer from/(to) inventories	695	(15)	-	-	-	680
Reversal of past impairment	-	-	-	-	14	14
Disposals	-	-	(168)	-	-	(168)
Balance at 31 March 2008	20,240	4,985	3,491	7,836	90	36,642
Balance at 1 April 2008	20,240	4,985	3,491	7,836	90	36,642
Additions	540	44	138	994	-	1,716
Revaluations	(990)	222	-	-	-	(768)
Transfer from investment property	2,139	-	-	-	-	2,139
Transfer from inventories	22	-	-	-	-	22
Disposals	-	-	(44)	(158)	-	(202)
Balance at 31 March 2009	21,951	5,251	3,585	8,672	90	39,549
Accumulated depreciation						
Balance at 1 April 2007	-	18	1,558	642	-	2,218
Depreciation charge for the year	-	17	279	392	-	688
Disposals	-	-	(117)	-	-	(117)
Balance at 31 March 2008	-	35	1,720	1,034	-	2,789
Balance at 1 April 2008	-	35	1,720	1,034	-	2,789
Depreciation charge for the year	-	16	304	665	-	985
Disposals	-	-	(13)	(158)	-	(171)
Balance at 31 March 2009	-	51	2,011	1,541	-	3,603
Net book value						
At 1 April 2007	21,143	4,496	1,475	6,152	76	33,342
At 31 March 2008	20,420	4,950	1,771	6,802	90	33,853
At 31 March 2009	21,951	5,200	1,574	7,131	90	35,946

Revaluations

Freehold land and buildings and long leasehold land and buildings are measured using the revaluation model as set out in note 2. These assets were independently valued by Lambert Smith Hampton as at 31 March 2009 in accordance with the Practice Statements in the Valuations Standards (The Red Book) published by the Royal Institution of Chartered Surveyors, on a fair value, income-based approach.

At 31 March 2009, 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 £18,513,000 (2008: £16,415,000).

At 31 March 2009, 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 £4,077,000 (2008: £4,034,000).

Plant and machinery, fixtures and fittings, aircraft, paintings and antiques are all measured using the cost model, as set out in note 2.

Notes to the Financial Statements

For the year ended 31 March 2009

Impairment

The Directors have reviewed the portfolio for impairment and consider no impairment has arisen.

Security

Land and buildings with a carrying amount of £27.2 million (2008: £20.2 million) have been pledged to secure borrowings of the Group (see note 22).

Aircraft with a carrying amount of £7.1 million (2008: £6.8 million) have been pledged to secure borrowings used to purchase the aircraft (see note 23).

14. Intangible assets

	Landing rights £000	Licences £000	Total £000
Cost			
Balance at 1 April 2007 and 31 March 2008	600	95	695
Balance at 1 April 2008 and 31 March 2009	600	95	695
Accumulated amortisation			
Balance at 1 April 2007	102	17	119
Amortisation charge for the year	30	5	35
Balance at 31 March 2008	132	22	154
Balance at 1 April 2008	132	22	154
Amortisation charge for the year	29	5	34
Balance at 31 March 2009	161	27	188
Net book value			
At 1 April 2007	498	78	576
At 31 March 2008	468	73	541
At 31 March 2009	439	68	507

Amortisation charge

The amortisation charge is recognised in the following line items in the income statement:

	2009 £000	2008 £000
Cost of sales	34	35

Landing rights and Licences are amortised over their estimated useful economic life of 20 years. As at 31 March 2009 the remaining amortisation period for the Landing rights is 14 years and 7 months and for the Licences between 14 years and 6 months and 14 years and 10 months.

Landing rights include a requirement to fly a certain number of flights per season. At present the Group is complying with this requirement.

All intangible assets have been acquired by the Group.

Notes to the Financial Statements

For the year ended 31 March 2009

15. Investment property

	2009	2008
	£000	£000
At fair value		
Balance at 1 April	28,131	15,923
Additions – arising from capitalised subsequent expenditure	6,357	7,783
Capitalised interest	175	8
Transfer (to)/from property, plant and equipment (see below)	(2,139)	333
Disposal of investment property (see below)	(8,665)	-
Transfer (to)/from inventories	(239)	1,256
Fair value adjustments	(2,787)	2,828
Balance at 31 March	20,833	28,131

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 2009 has been determined by a valuation carried out at that date by independent, external valuers, Lambert Smith Hampton in accordance with the Practice Statements in the Valuation Standards (The Red Book) published by the Royal Institution of Chartered Surveyors. Lambert Smith Hampton are members of the Royal Institution of Chartered Surveyors and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

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

Disposal of investment property

Included within investment property in 2008 was £3.2 million stated at cost that related to an investment property in the course of construction. This property was pledged as security for the development loan as described in note 23. The construction of this property was completed in November 2008. The property was sold on 11 March 2009 for proceeds of £8.7 million and the development loan was repaid. The sale of the property generated a loss on disposal of £267,000 after making a provision for vacant property costs. In addition, a £700,000 fair value adjustment deficit was recognised in the interim accounts within fair value adjustments on investment property and is included within fair value adjustments on investment property for the year ended 31 March 2009.

Transfer to property, plant and equipment

This includes £996,000 that relates to part of an investment property that is owner-occupied.

16. Investments

The Group has the following investments in subsidiaries, joint ventures and associates:

	Class of shares held	Ownership		Nature of Business
		2009	2008	
Sutton Harbour Company	Ordinary	100%	100%	Harbour Authority
Sutton Harbour Services Limited	Ordinary	100%	100%	Marine Leisure & Property
Plymouth Fisheries Limited	Ordinary	100%	100%	Dormant
Sutton Harbour Development Limited	Ordinary	100%	100%	Dormant
Newquay Cornwall International Airport Limited	Ordinary	100%	100%	Dormant
Plymouth City Airport Limited	Ordinary	100%	100%	Airport Operator
Air South West Limited	Ordinary	100%	100%	Airline Operator
Sutton Harbour Partnerships Limited	Ordinary	100%	100%	Property
Sutton Harbour Property and Regeneration Limited	Ordinary	100%	100%	Property
Sutton Harbour Commercial Limited	Ordinary	100%	100%	Property
Sutton Harbour Projects Limited	Ordinary	100%	100%	Property
Sutton Harbour Car Parks Limited	Ordinary	100%	100%	Car Park Operator
Sutton Harbour Projects (No 1) Limited	Ordinary	100%	100%	Property
Sutton Harbour Projects (No 2) Limited	Ordinary	100%	100%	Dormant
JV UK Company Limited	Ordinary	**%	50%	Joint Venture Holding Company
LIFT Investments Limited	Ordinary	**%	*%	Associate Holding Company
ReSound (Health) Limited	Ordinary	**%	*%	Investment in Health Care Premises
ReSound (Mount Gould) Limited	Ordinary	**%	*%	Health Care Premises
ReSound (Cattedown) Limited	Ordinary	**%	*%	Health Care Premises
Community Solutions for Primary Care (Solent) Limited	Ordinary	**%	*%	Holding Company
Solent Community Solutions Limited	Ordinary	**%	*%	Investment in Health Care Premises
Solent Community Solutions I Limited	Ordinary	**%	*%	Health Care Premises

All of the above companies were incorporated in the United Kingdom and registered in England and Wales.

All subsidiaries are included in the Group consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 March 2009

The year end of the above companies are the same as the parent company with the exception of Community Solutions for Primary Care (Solent) Limited, Solent Community Solutions Limited and Solent Community Solutions 1 Limited, which have 31 December year ends.

*As at 31 March 2008, Sutton Harbour Holdings plc had a 50% holding in JV UK Company Limited. JV UK Company Limited, in turn, has a 62% holding in LIFT Investments Limited and a 100% holding in Community Solutions for Primary Care (Solent) Limited. LIFT Investments Limited has a 60% holding in ReSound (Health) Limited, ReSound (Mount Gould) Limited and ReSound (Cattedown) Limited. Community Solutions for Primary Care (Solent) Limited has a 60% holding in Solent Community Solutions Limited and Solent Community Solutions 1 Limited.

** As at 31 March 2009, JV UK Company Limited is no longer a joint venture of Sutton Harbour Holdings plc. Although the Group has a 50% shareholding in JV UK Company Limited, it no longer has any voting rights in relation to these shares and no entitlement to receive any income from JV UK Company Limited. Therefore, the results of JV UK Company Limited do not form part of these consolidated financial statements.

Prior to 31 March 2008, the Group had a 62% holding in LIFT Investments Limited which, in turn, had a 60% holding in ReSound (Health) Limited, ReSound (Mount Gould) Limited and ReSound (Cattedown) Limited. Although the Group had a 62% holding in LIFT Investments Limited, it only had 50% of the voting rights of the company and the terms of the shareholder agreement provide for majority voting on key decisions affecting the business. The Group had neither control nor joint control. It had significant influence, and therefore the investment in LIFT Investments Limited was treated as an associate in accordance with IAS 28 'Investments in Associates'. Details of the associate company are given below.

On 31 March 2008, Sutton Harbour Holdings plc transferred its investment in LIFT Investments Limited to JV UK Company Limited in exchange for 50% of the share capital of JV UK Company Limited. The other 50% of the share capital of JV UK Company Limited was transferred to Community Solutions for Primary Care (Holdings) Limited in exchange for its 100% holding in Community Solutions for Primary Care (Solent) Limited. The Group effectively disposed of 50% of its investment in LIFT Investments Limited which generated an unrealised gain on exchange of shares of £1.1 million.

The unrealised gain on the exchange of shares was calculated as follows:

	£000
Fair value of consideration	1,622
Book value of consideration	(516)
Unrealised gain on exchange of shares in associate company	1,106

On 30 September 2008, the Group disposed of its 50% interest in JV UK Company Limited, a joint venture with Community Solutions for Primary Care (Holdings) Limited. Although the Group has retained its 50% shareholding in JV UK Company Limited, it no longer has any voting rights in relation to these shares and no entitlement to receive any income from JV UK Company Limited. The voting rights and entitlement to receive income have been assigned to Community Solutions for Primary Care (Holdings) Limited.

The realised gain on the disposal was calculated as follows:

	£000
Proceeds received	2,745
Share of net assets of joint venture	(1,814)
Transaction costs	(23)
Realised gain on disposal of interest in joint venture company	908

The unrealised gain of £1,106,000 recognised in the year to 31 March 2008 has now become realised.

As at 31 March 2009, the Group no longer has an interest in a joint venture company.

Summary aggregated financial information on associates (100% of associate results are disclosed below, the Group share was effective 37.2% until 31 March 2008, from 31 March 2008 Group effective share was nil%):

	2009 £000	2008 £000
Assets	N/A	N/A
Liabilities	N/A	N/A
Revenues	N/A	1,291
(Loss)	N/A	(202)

The Group's share of post-acquisition total recognised loss in the above associate for the year ended 31 March 2008 was a loss of £125,329. The Group did not have an interest in the associate company for the year to 31 March 2009.

Notes to the Financial Statements

For the year ended 31 March 2009

Summary aggregated financial information on jointly controlled entities (100% of joint venture results are disclosed below, the Group share was 50% until 30 September 2008, from 30 September 2008 Group share was nil%):

	2009 £000	2008 £000
Current assets	N/A	937
Long-term assets	N/A	12,552
Current liabilities	N/A	(567)
Long-term liabilities	N/A	(8,619)
Income	1,420	-
Expenses	(1,609)	-

The Group's share of post-acquisition total recognised loss in the above joint venture for the year ended 31 March 2009 was a loss of £94,815 (2008: £nil).

17. Other financial assets

	2009 £000	2008 £000
Non-current		
Bond	130	130

The Group has given guarantees and placed a bond in favour of an aircraft leasing company to the sum of £130,000 (2008: £130,000). The bond is shown within other financial assets. The bond is in relation to the leased aircraft and protects the lessor's interest in respect of maintenance status of various components of the aircraft on the return of the aircraft to the lessor as defined in the leases. The bond is returned to the Group if it is not utilised.

18. Derivative financial instruments

	Assets		Liabilities	
	2009 £000	2008 £000	2009 £000	2008 £000
Current				
Forward foreign exchange contracts - fair value through profit or loss	-	82	-	-
Forward foreign exchange contracts - cash flow hedges	1,360	-	-	-
Cash settled fuel commodity swap - cash flow hedges	-	-	(752)	-
Total current derivative financial instruments	1,360	82	(752)	-

	Assets		Liabilities	
	2009 £000	2008 £000	2009 £000	2008 £000
Non-current				
Interest rate swaps - cash flow hedges	-	-	(234)	-
Total non-current derivative financial instruments	-	-	(234)	-

The Group utilises the following derivatives for economic hedging purposes:

- A hedge of certain short term foreign currency operational payments by forward exchange of contracts hedging future foreign currency risk.
- A hedge of future jet fuel purchases by cash-settled fuel commodity swaps hedging future fuel price risk.
- A hedge of interest payments by interest rate swaps hedging future interest rate risk.

All hedges are remeasured to fair value as at the balance sheet date. As at 31 March 2008, the Group had not applied hedge accounting. The fair value movement of all hedges was therefore recorded in the income statement. From 1 April 2008, the Group has applied hedge accounting for all hedge contracts entered into from 1 April 2008. The effective part of any gain or loss on the cash flow hedges is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

Notes to the Financial Statements

For the year ended 31 March 2009

The fair value of hedges as at 31 March 2009 was as follows:

Hedges of certain short term foreign currency operational payments by forward exchange contracts hedging future foreign currency risk:

Fair value of financial asset £500,000, contract for \$3.54million at fixed rates between £/\$1.7846 and £/\$1.8102 deliverable on a range of dates between 17 April 2009 and 17 March 2010.

Hedges of fuel payments by forward exchange contracts hedging future foreign currency risk:

Fair value of financial asset £860,000, contract for \$6.6million with a lower strike rate of £/\$1.7625 and an upper strike rate of £/\$1.8125 deliverable on a range of dates between 1 April 2009 and 1 March 2010. £219,000 of this hedge was deemed ineffective as at 31 March 2009 and has been recorded in the income statement rather than the hedging reserve.

Hedges of future jet fuel purchases by cash settled fuel commodity swap contracts hedging future fuel price risk:

Fair value of financial liability of £752,000, contract for 3,240 metric tonnes each at \$792 based on the average community price ruling on a range of dates between 1 April 2009 and 30 September 2009.

Hedges of interest payments by interest rate swaps hedging future interest rate risk:

Fair value of financial liability of £140,000, contract for £9million at 1.88pct based on the GBP LIBOR rate ruling each month between 30 January 2009 and 31 January 2011. Fair value of financial liability of £94,000, contract for £6million at 1.88pct based on the GBP LIBOR rate ruling each month between 31 January 2009 and 31 January 2011.

19. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Property, plant and equipment	-	-	(3,751)	(3,717)	(3,751)	(3,717)
Investment property	387	387	(1,819)	(2,848)	(1,432)	(2,461)
Employee benefits	22	22	-	-	22	22
Deferred government grants	4	4	-	-	4	4
Other	64	64	-	-	64	64
Tax assets / (liabilities)	477	477	(5,570)	(6,565)	(5,093)	(6,088)

Movement in deferred tax during the year

	1 April 2008 £000	Recognised in income £000	Recognised in equity £000	31 March 2009 £000
Property, plant and equipment	(3,717)	(45)	11	(3,751)
Investment property	(2,461)	1,029	-	(1,432)
Employee benefits	22	-	-	22
Deferred government grants	4	-	-	4
Other	64	-	-	64
	(6,088)	984	11	(5,093)

	1 April 2007 £000	Recognised in income £000	Recognised in equity £000	Transfer to current tax £000	31 March 2008 £000
Property, plant and equipment	(4,588)	296	575	-	(3,717)
Investment property	(1,930)	(531)	-	-	(2,461)
Employee benefits	12	10	-	-	22
Deferred government grants	5	(1)	-	-	4
Other	290	(317)	-	91	64
	(6,211)	(543)	575	91	(6,088)

Deferred tax assets of £1,396,000 (2008: £1,105,000) in respect of certain properties have not been recognised due to a high degree of uncertainty as to the timing of when the asset may be realised.

Notes to the Financial Statements

For the year ended 31 March 2009

20. Inventories

	2009	2008
	£000	£000
Stores and materials	451	391
Goods for resale	97	173
Development property	9,842	4,884
	10,390	5,448

Included within inventories is £8,417,000 (2008 : £2,072,000) expected to be recovered in more than 12 months.

Inventories to the value of £3,899,000 were recognised as expenses in the year (2008 : £3,770,000).

Interest capitalised during the year in relation to development property was £54,000 (2008: nil).

21. Trade and other receivables

	2009	2008
	£000	£000
Trade receivables	1,317	1,725
Other receivables	236	1,064
Prepayments and accrued income	1,596	1,161
	3,149	3,950

Included within trade and other receivables is £273,000 (2008: £140,000) expected to be recovered in more than 12 months.

The Group regularly reviews the ageing profile of trade receivables and actively seeks to collect any amounts that have fallen outside the defined credit terms. The Group provides, in full, for any debts it believes have become non recoverable. The figures shown above are after deducting a specific provision for impairment of trade receivables of £93,000 (2008: £114,000).

Movements on the Group specific provision for impairment of trade receivables are as follows:

	2009	2008
	£000	£000
At the beginning of the financial year	114	92
Provision for receivables impairment	41	51
Receivables written off during the year as uncollectable	(59)	(24)
Unused amounts reversed	(3)	(5)
At the end of the financial year	93	114

	2009	2008
	£000	£000
The ageing of trade receivables that have not been provided for are:		
Not yet due:		
0 – 29 days	468	1,015
Overdue:		
30 – 59 days	486	643
60 – 89 days	59	2
90 – 119 days	70	-
120 + days	234*	65
	1,317	1,725

As at 31 March 2009, trade receivables of £849,000 (2008: £710,000) were past due but not impaired (as disclosed in the above table). These relate to a number of independent customers for whom there is no recent history of default.

Included within trade receivables are US\$ balances totalling £7,000 (2008: £78,000) and Euro balances totalling £6,000 (2008: £nil). These balances were converted into sterling using the spot rate as at 31 March.

*The majority of this balance relates to one specific project. The balance is not in dispute and the directors are confident of full recovery of this amount.

Notes to the Financial Statements

For the year ended 31 March 2009

22. Cash and cash equivalents and bank overdraft

	2009 £000	2008 £000
Cash and cash equivalents per balance sheet	6	6
Bank overdraft	(19,142)	(13,406)
Cash and cash equivalents per cash flow statement	(19,136)	(13,400)
Analysis by currency:		
	2009 £000	2008 £000
Sterling	(19,230)	(13,575)
US Dollars	96	133
Euro	(2)	42
	(19,136)	(13,400)

Included in cash and cash equivalents is £198,000 that is held in an escrow account. This cash is restricted in its use.

At 31 March 2009, the Group had an agreed bank overdraft facility of £25.0 million (2008: £20.2 million). The overdraft facility is divided into three facilities with interest being charged on the utilised facility at the following rates (2008: 1% over bank base rate):

£9m facility:	1% over LIBOR
£11m facility:	1.25% over LIBOR
£5m facility:	1.5% over LIBOR

The following security has been given in relation to the bank overdraft facility:

- Mortgage Debenture from each entity in the Group
- Cross guarantee between all companies in the Group excluding Sutton Harbour Company
- First legal charges over named properties owned by the Group
- Legal charge from Sutton Harbour Holdings plc over shares in Sutton Harbour Company
- Accession agreement by Sutton Harbour Projects Limited

	2009 £000	2008 £000
Undrawn overdraft facilities:		
Expiring within one year	5,459	6,955
Expiring after more than one year	-	-
	5,459	6,955

As stated in note 34, since the year end the Group has renewed its banking facilities for a further eighteen months with effect from May 2009.

23. Other interest-bearing loans and borrowings

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

	2009 £000	2008 £000
Non-current liabilities		
Secured bank loans	325	3,575
Unsecured bank loans	143	143
	468	3,718
Current liabilities		
Secured bank loans	900	900
Unsecured bank loans	108	113
	1,008	1,013

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For the year ended 31 March 2009

Secured bank loans:

Secured bank loans can be divided into two categories:

Aircraft loans

The two loans are in sterling and are repayable by instalments of £25,000 plus interest per month and £50,000 plus interest per month. Interest is charged on the loans at GBP 3 month LIBOR plus 1%. The maturity date of the loans are February 2011 and April 2010 respectively. The loans are secured on three of the Group's Dash 8 aircraft.

Development loans

Development loan as at 31 March 2009

The development loan is in sterling and is repayable by 1 November 2009. The loan is drawn down in tranches as the development progresses. Interest is charged on the loan at 1.5% plus LIBOR. The following security has been given in relation to the loan:

- Accession agreements by Sutton Harbour Property and Regeneration Limited and Sutton Harbour Projects Limited
- Charge of securities over Sutton Harbour Holdings plc shareholding in Sutton Harbour Company
- Unlimited cost overrun guarantee by Sutton Harbour Holdings
- Legal charge over the agreement for sale
- Legal assignment over the benefit of the building contract
- Legal assignment over the benefit of the professional team appointments
- Legal assignment over the benefit of the collateral warranties
- Legal assignment over the benefit of the step in agreements
- First legal charge over each property and its associated assets that is funded utilising the loan

Development loan as at 31 March 2008

This loan was agreed in December 2007 and was repaid on 12 March 2009 following the disposal of Salt Quay House (see note 15). The development loan was in sterling and was repayable by 31 December 2009. The loan was drawn down in tranches as the development progressed. Interest was charged on the loan at bank base rate plus 0.9%. The following security was given in relation to the loan:

- first legal charge from Sutton Harbour Property and Regeneration Limited over the freehold land and buildings at Salt Quay House, Sutton Harbour, Plymouth
- an unlimited all moneys guarantee from Sutton Harbour Holdings plc
- an assignment from Sutton Harbour Property and Regeneration Limited over the lease agreement with Messrs Foot Anstey in respect of the Property.

Undrawn committed borrowing facilities:	2009 £000	2008 £000
Expiring within one year	3,072	-
Expiring after more than one year	-	4,850
	3,072	4,850

Unsecured bank loans:

The unsecured bank loans are in sterling and are repayable by instalments. Interest is charged at bank base rate plus 2%.

24. Deferred income and deferred government grants

Deferred income classified as current liabilities comprises advance flight bookings and advance rental income.

Deferred government grants relates to a grant received in relation to the Airport runway. The grant is being held as deferred income and released to the income statement over the estimated useful life of the runway. The deferred portion of the grant is split between current and non-current deferred income. The government grant is partially refundable from any airport development receipts (see note 34).

	Deferred			
	2009 £000	2008 £000	2009 £000	2008 £000
At the beginning of the financial year	3,362	3,336	334	354
Released to the income statement during the year	(3,362)	(3,336)	(19)	(20)
Income deferred until next financial year	3,647	3,362	-	-
At the end of the financial year	3,647	3,362	315	334

Notes to the Financial Statements

For the year ended 31 March 2009

25. Trade and other payables

	2009	2008
	£000	£000
Trade payables	3,317	4,390
Other trade payables	754	970
Other taxation and social security costs	780	569
Accruals	1,217	879
	6,068	6,808

Included within trade and other payables is £nil (2008: £nil) expected to be settled in more than 12 months.

Included within trade payables are US\$ balances totalling £86,000 (2008: £79,000) and Euro balances totalling £177,000 (2008: £188,000). These balances were converted into sterling using the spot rate as at 31 March.

26. 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 £367,000 (2008 : £371,000). There were no amounts outstanding or prepaid at the year-end (2008: £nil).

Share-based payments

Sutton Harbour Holdings plc operates three share option programmes that allow all employees to acquire shares of the Company. Options are exercisable at a price equal to 80% of the average quoted market price of the Company's shares on the three standard market trading days prior to the invitation for employees to join the scheme. The vesting periods and expiry date of each scheme are detailed in the table below. Each share option converts into one ordinary share of Sutton Harbour Holdings plc. If the options issued under these schemes remain unexercised at the expiry date, the options expire. Options are forfeited if the employee leaves the Company before the options vest, except in cases of retirement or redundancy. The share-based payments are all equity-settled.

Options are not exercisable unless the employee completes a period of either three, five or seven years service and maintains their savings requirements.

The terms and conditions of the grants are as follows:

Scheme	Number of instruments as at 31 Mar 2009	Grant date	Exercise price	Vesting period	Date from which exercisable	
					Expiry date	Expiry date
2001 SAYE share option scheme – 7 year plan	21,616	20 Dec 2001	34.0p	7 years	1 Dec 2008	31 May 2009
2005 SAYE share option scheme – 3 year plan	1,010	20 Dec 2005	92.5p	3 years	1 Feb 2009	31 Jul 2009
2005 SAYE share option scheme – 5 year plan	233,206	20 Dec 2005	92.5p	5 years	1 Feb 2011	31 Jul 2011
2005 SAYE share option scheme – 7 year plan	31,418	20 Dec 2005	92.5p	7 years	1 Feb 2013	31 Jul 2013
2008 SAYE share option scheme – 3 year plan	140,310	29 Jan 2008	81.0p	3 years	1 Mar 2011	31 Aug 2011
2008 SAYE share option scheme – 5 year plan	201,757	29 Jan 2008	81.0p	5 years	1 Mar 2013	31 Aug 2013
2008 SAYE share option scheme – 7 year plan	27,147	29 Jan 2008	81.0p	7 years	1 Mar 2015	31 Aug 2015
			Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at the beginning of the financial year			82.7p	1,164,643	85.6p	874,732
Cancelled during the year			88.5p	(436,847)	92.3p	(173,926)
Exercised during the year			34.0p	(71,332)	92.5p	(6,130)
Granted during the year			N/A	-	81.0p	469,967
Outstanding at the end of the financial year			84.1p	656,464	82.7p	1,164,643
Exercisable at 31 March				22,626		-

Notes to the Financial Statements

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The weighted average share price at the date of exercise of share options exercised during the period was 45.0p (2008: 125.7p).

The options outstanding at the year end have an exercise price in the range of 34p to 92.5p and a weighted average remaining contractual life of 3.18 years (2008: 3.49 years).

The fair value of the options is measured at the date of grant using a Black-Scholes option pricing model.

The inputs into the Black Scholes model are as follows:

	Options granted Jan 2008			Options granted Dec 2005		
	3 year plan	5 year plan	7 year plan	3 year plan	5 year plan	7 year plan
Fair value at measurement date	34.7p	36.5p	39.5p	39.5p	45.5p	48.5p
Grant date share price	101.5p	101.5p	101.5p	115.5p	115.5p	115.5p
Exercise price	81.0p	81.0p	81.0p	92.5p	92.5p	92.5p
Expected volatility	33.3%	26.9%	25.6%	32.75%	32.36%	30.72%
Expected life	3.11yrs	5.11yrs	7.11yrs	3.12yrs	5.12yrs	7.12yrs
Dividend yield	1.50%	1.50%	1.50%	1.39%	1.39%	1.39%
Risk-free interest rate	4.13%	4.21%	4.30%	4.18%	4.18%	4.16%

The expected volatility was determined by calculating the historical volatility of the Group's share price based on an analysis of weekly share prices over three, five and seven years prior to the date of grant. It has been assumed that similar levels of volatility will continue in the future.

There are no market conditions associated with the share option grants.

The expected life used in the model assumes that employees exercise their options at the earliest opportunity.

The risk-free interest rate is based on the yield available on zero-coupon government bonds of duration equal to the terms of the options.

The total expenses recognised for the period arising from share-based payments are as follows:

	2009	2008
	£000	£000
Equity settled share-based payments	(28)	44

27. Provisions for other liabilities and charges

	Maintenance on leased aircraft		Vacant property provision		Total provision	
	2009	2008	2009	2008	2009	2008
	£000	£000	£000	£000	£000	£000
Balance at the beginning of the financial year	229	40	-	-	229	40
Provisions made during the year	110	189	291	-	401	189
Provisions used during the year	(293)	-	-	-	(293)	-
Balance at the end of the financial year	46	229	291	-	337	229
Non-current	46	-	-	-	46	-
Current	-	229	291	-	291	229
	46	229	291	-	337	229

Maintenance provision for leased aircraft

Provision is made for contractually required major maintenance overhauls on leased aircraft which are expected to be undertaken in the forthcoming financial year. The amount of the provision is based on the cost of the prior overhaul and the charge in the income statement is calculated with reference to the number of hours operated during the year. The amount and timing of the maintenance cost are dependant on future usage of relevant aircraft.

The cost of major maintenance overhauls on owned aircraft is capitalised to the balance sheet and amortised over the period until the next overhaul.

Vacant property provision

The Group had a lease where the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under it. The Group has provided for the amount of the estimated cost in excess of the benefits to be received.

Notes to the Financial Statements

For the year ended 31 March 2009

28. Capital and reserves

Reconciliation of movement in capital and reserves

	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 2007	6,112	2,843	11,037	251	-	15,050	35,293
Proceeds from issue of shares net of costs*	199	2,134	-	-	-	-	2,333
One for one capitalisation issue	6,311	(4,974)	-	-	-	(1,337)	-
Revaluation of property, plant and equipment	-	-	(2,036)	-	-	-	(2,036)
Deferred taxation on revaluation of property, plant and equipment	-	-	575	-	-	-	575
Share-based payments – value of employee services	-	-	-	-	-	44	44
Dividends	-	-	-	-	-	(1,098)	(1,098)
Profit for the year	-	-	-	-	-	4,573	4,573
Balance at 31 March 2008	12,622	3	9,576	251	-	17,232	39,684
Balance at 1 April 2008	12,622	3	9,576	251	-	17,232	39,684
Proceeds from issue of shares net of costs*	18	7	-	-	-	-	25
Revaluation of property, plant and equipment	-	-	(768)	-	-	-	(768)
Deferred taxation on revaluation of property, plant and equipment	-	-	11	-	-	-	11
Transfer to revaluation reserve in relation to reclassification of investment property	-	-	702	-	-	(702)	-
Cashflow hedges:							
- Fair value movements in the year	-	-	-	-	(234)	-	(234)
- Transfers to cost of sales	-	-	-	-	390	-	390
Share-based payments – value of employee services	-	-	-	-	-	(28)	(28)
Dividends	-	-	-	-	-	(1,212)	(1,212)
(Loss) for the year	-	-	-	-	-	(2,454)	(2,454)
Balance at 31 March 2009	12,640	10	9,521	251	156	12,836	35,414

* Costs include Brokers commission, stamp duty and legal fees of £nil (2008: £94,000).

The aggregate deferred tax relating to items that are credited to equity is £11,000 (2008: £575,000).

Share capital

In thousands of shares	Ordinary shares	
	2009	2008
In issue at the beginning of the financial year	50,489	24,447
Issued for cash	72	800
One for one capitalisation issue	-	25,242
In issue at the end of the financial year – fully paid	50,561	50,489
	2009	2008
	£000	£000
Authorised		
100,000,000 (2008:100,000,000) Ordinary shares of 25p each	25,000	25,000
Allotted, called up and fully paid		
50,560,732 (2008: 50,489,400) Ordinary shares of 25p each	12,640	12,622
Shares classified in shareholders funds	12,640	12,622

Notes to the Financial Statements

For the year ended 31 March 2009

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.

62,688 Ordinary shares of 25p each were issued on 11 December 2008 as employees exercised share options under the Company's Save As You Earn Share Option Scheme. The Company received £21,314 in consideration for the 62,688 share options exercised.

8,644 Ordinary shares of 25p each were issued on 18 December 2008 as employees exercised share options under the Company's Save As You Earn Share Option Scheme. The Company received £2,939 in consideration for the 8,644 share options exercised.

Revaluation reserve

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

Merger reserve

The merger reserve was created when Sutton Harbour Company was incorporated into the holding company, Sutton Harbour Holdings plc.

Hedging reserve

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

29. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2009 £000	2008 £000
Less than one year	919	697
Between one and five years	562	1,071
	1,481	1,768

The Group leases two Dash 8 aircraft under operating leases. Lease commitments for these aircraft are in US\$ and were translated into £ Sterling at the exchange rate in force on 31 March 2009. Other operating leases relate to leased motor vehicles.

During the year £713,000 was recognised as an expense in the income statement in respect of operating leases (2008: £633,000).

Leases as lessor

The Group leases its investment property under operating leases (see note 15). The future minimum lease rentals receivable under non-cancellable leases are as follows:

	2009 £000	2008 £000
Investment property:		
Less than one year	745	769
Between one and five years	2,723	2,807
More than five years	23,886	24,748
	27,354	28,324
Property used in the trade:		
Less than one year	370	388
Between one and five years	84	255
More than five years	59	59
	513	702

Notes to the Financial Statements

For the year ended 31 March 2009

Total contingent rents recognised in the year were £98,000 (2008: £8,000)

During the year ended 31 March 2009, £1,771,000 (2008: £1,745,000) was recognised as rental income in the income statement. Repair and maintenance expense recognised in cost of sales for the year to 31 March 2009 was £116,000 (2008: £100,000).

The Group does not have any contractual obligations in relation to the repairs and maintenance of investment property, as all such work is carried out by an in-house maintenance team.

30. Capital commitments

On 28 September 2007, the Group contracted with a construction company to construct a 42,000 sq. ft. office building at Salt Quay for £8,177,000. As at 31 March 2009, the Group is committed to pay a retention of £123,000 in relation to this contract (2008: £6,286,000).

On 26 October 2007, the Group entered into an agreement with the BBC to construct a 22,000 sq. ft. office building. The Group has not contracted for the construction of this development but as at 31 March 2009 is committed to pay a retention of £86,000 in relation to enabling works on site (2008: £1,435,000).

On 18 December 2008, the Group entered into an agreement with a construction company to construct a five storey multi purpose facility for the RYA in Portland. As at 31 March 2009, the Group is committed to pay a further £55,000 in relation to this contract (2008: £nil).

On 30 April 2008, the Group entered into an agreement with a housing association to purchase the commercial ground floor element of a development at Exeter Quays at an eventual cost of £507,000. As at 31 March 2009, the Group is committed to pay a further £322,000 in relation to this development (2008: £457,000).

31. Contingencies

The Group has given guarantees and placed a bond in favour of an aircraft leasing company to the sum of £130,000 (2008: £130,000). The bond is shown within other financial assets. The bond is in relation to the leased aircraft and protects the lessor's interest in respect of maintenance status of various components of the aircraft on the return of the aircraft to the lessor as defined in the leases. The bond is returned to the Group if it is not utilised.

On 31 March 2008, the Group entered into an agreement with Plymouth City Council. Conditional on receipt of planning permission for development on the 22 acres of surplus airport land, the Group is required to relocate or construct a range of airport facilities including an engine test bay, fuel farm, fire facilities and a new road. Planning consent was achieved in April 2009.

32. Related parties

The ultimate controlling party and parent of the Group is Sutton Harbour Holdings plc. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Transactions with key management personnel:

Executive Directors of the Company and their immediate relatives control 0.45% of the voting shares of the Company.

	2009	2008
	£000	£000
<hr/>		
Transactions with related parties:		
<hr/>		
Amounts outstanding at 31 March:		
Interest due from associate company	-	59
Loan to joint venture company	-	894
	-	953

Notes to the Financial Statements

For the year ended 31 March 2009

On 31 March 2008, the loan to the associate company was transferred to JV UK Company Limited, a joint venture company of which Sutton Harbour Holdings plc had a 50% holding. On 30 September 2008, the Group disposed of its interest in the joint venture company. The company no longer has a loan to the joint venture company (see note 16).

In the year to 31 March 2009, Sutton Harbour Holdings plc earned £30,000 of interest on the loan to the joint venture company. In the year to 31 March 2008, Sutton Harbour Holdings plc earned £129,000 of interest on the loan to the associate company.

One of the Group subsidiary companies provided management services to the joint venture company throughout 2009 and 2008. The total amount invoiced to the joint venture company for these services in the year to 31 March 2009 was £47,000 (2008: £60,000).

The compensation of key management personnel is as follows:

	2009 £000	2008 £000
Key management emoluments including social security costs and taxable benefits	247	749
Company contributions to money purchase pension schemes	33	31
	280	780

The key management personnel can participate in the companies 'Save As You Earn' (SAYE) scheme. Details of the outstanding SAYE options of key management personnel is as follows:

	At 1 April 2008	Number of options granted during the year	Number of options lapsed during the year	Number of options cancelled during the year	At 31 March 2009	Exercise Price	Date from which exercisable	Expiry date
Nigel J. Godefroy	20,740	-	-	(20,740)	-	N/A	N/A	N/A
Natasha C. Gadsdon	11,851	-	-	-	11,851	81p	1 Mar 2011	31 Aug 2011
Jason W.H. Schofield	8,296	-	-	-	8,296	81p	1 Mar 2013	31 Aug 2013

The total expenses recognised for the year arising from share based payments in relation to key management personnel share options was a credit of £49 (2008: charge of £602).

33. Ultimate parent company and controlling party

The ultimate parent company and controlling party of the Group is Sutton Harbour Holdings plc. The financial statements of the company are presented separately on pages 70 to 77 of this document.

34. Subsequent events

Since the year end, the Group has renewed its £25 million banking facilities for a further eighteen months with effect from May 2009 with interest rates based on LIBOR.

In April 2009, the Group achieved planning consent for development of surplus land at Plymouth City Airport and has exchanged contracts on the sale of the majority of the land to a developer.

Historical Financial Information

For the years ended 31 March

	2009	2008	2007	2006	2005
	£000	£000	£000	£000	£000
	(IFRS)	(IFRS)	(IFRS)	As restated (UK GAAP)	As restated (UK GAAP)
Net Assets	35,414	39,684	35,293	*†37,178	*†29,723
Revenue	29,262	29,237	29,259	*26,618	*19,879
Operating (loss)/profit before gains on investment properties	(609)	2,232	1,949	*#2,996	*1,934
Fair value adjustments of investment property	(2,787)	2,828	2,200	N/A	N/A
Operating (loss)/profit after gains on investment properties	(3,396)	5,060	4,149	*#2,996	*1,934
Net financing costs (excludes joint ventures/associates)	(867)	(584)	(846)	(176)	(142)
(Loss)/profit before tax	(3,450)	5,457	3,289	*#2,820	*1,792
(Loss)/profit attributable to equity shareholders	(2,454)	4,573	2,502	*#1,967	*1,235
Dividends paid	1,212	1,098	950	†852	†718
Basic earnings per share	(4.86)p	9.10p	Δ5.13p	Δ*#4.04p	Δ*2.54p
Diluted earnings per share	(4.86)p	8.94p	Δ5.02p	Δ*#4.00p	Δ*2.52p
Dividends paid and proposed per ordinary share (adjusted for changes in issued share capital)	1.9p	2.4p	Δ2.03p	Δ1.9p	Δ1.6p

* Prior year adjustment to UK GAAP numbers as described in the financial statements for the year ended 31 March 2008.

† Figures have been restated following introduction of FRS 21, 'Events after the balance sheet date'.

Figures have been restated following introduction of FRS 20 'Share-based payments'.

Δ Adjusted for the one for one capitalisation issues

Independent Auditors' Report

For the year ended 31 March 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUTTON HARBOUR HOLDINGS PLC

We have audited the parent company financial statements of Sutton Harbour Holdings plc for the year ended 31 March 2009 which comprise the Company Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Sutton Harbour Holdings plc for the year ended 31 March 2009.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive's Report and the Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Report, the Financial Review and all of the other information listed on the contents page excluding the Group financial statements on pages 34 to 67. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

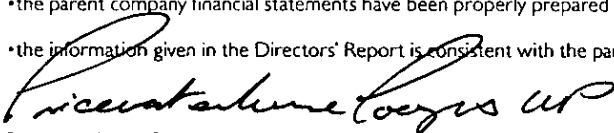
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company'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 parent company 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 parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Bristol

2 June 2009

Company Balance Sheet

As at 31 March 2009

	Note	2009 £000	2008 £000
Fixed assets			
Investments	d	4,753	7,907
		4,753	7,907
Current assets			
Debtors	e	20,322	11,169
Cash at bank and in hand		11	7
		20,333	11,176
Current liabilities			
Creditors: amounts falling due within one year	f	(11,068)	(4,197)
Net current assets		9,265	6,979
Total assets less current liabilities		14,018	14,886
Creditors: amounts falling due after more than one year	g	(94)	-
Net assets		13,924	14,886
Capital and reserves			
Called up share capital	h	12,640	12,622
Share premium account	i	10	3
Revaluation reserve	i	-	2,019
Share-based payment reserve	i	113	141
Hedging reserve	i	(94)	-
Profit and loss account	i	1,255	101
Total shareholders' funds		13,924	14,886

The notes on pages 71 to 77 are an integral part of these financial statements.

The Financial Statements on pages 70 to 77 were approved by the Board of Directors on 2 June 2009 and were signed on its behalf by:


 Michael A. Knight
 Chairman

Notes to the Company Financial Statements

For the year ended 31 March 2009

a) Accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the fair value of share-based payments and derivative financial instruments in accordance with the Companies Act 1985 and applicable accounting standards.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Company Financial Statements.

As the Company heads a group of wholly owned subsidiaries and controls all of the subsidiary voting rights, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated Financial Statements of Sutton Harbour Holdings plc can be obtained from North Quay House, Sutton Harbour, Plymouth, PL4 0RA.

Taxation

UK Corporation Tax 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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exception:

Net deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Investment in subsidiary and joint venture companies

The investments in subsidiary companies are included in the Company's balance sheet at cost less provision for impairment. Where shares in an associate company are contributed on formation of a new joint venture or associate, in exchange for shares in the new joint venture or associate, the investment in the new joint venture or associate is initially recorded at fair value plus acquisition costs. Any excess between the fair value plus acquisition costs and the book value of the original shares conceded is regarded as an unrealised gain, recorded in a revaluation reserve and reported in the statement of total recognised gains and losses. The investment is subsequently measured at cost less provision for impairment.

Exemptions

The Directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company alone.

The Company has taken advantage of the FRS 29 'Financial Instruments: Disclosures' exemption and has not provided derivative financial instrument disclosures for the Company alone.

The Company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statement'. The cash flows of the Company are included in the Sutton Harbour Holdings plc consolidated financial statements.

The Company is also exempt under the terms of FRS 8 'Related Parties' from disclosing related party transactions with entities that are part of the Sutton Harbour Holdings plc Group.

Dividends

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

Employee benefits: share-based payment transactions

The share option programme allows Group employees to acquire shares of the ultimate parent company; these awards are granted by the ultimate parent. 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. When the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Financial risk management

The financial risk management strategy of the Group is described in note 3 of the consolidated financial statements.

Notes to the Company Financial Statements

For the year ended 31 March 2009

b) Services provided by the company's auditors

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

	2009	2008
	£000	£000
<i>Current auditors:</i>		
Fees payable to company's auditor for the audit of parent company financial statements	3	-
Fees payable to the company's auditor for other services:		
Tax services	3	-
<i>Predecessor auditors:</i>		
Fees payable to company's auditor for the audit of parent company financial statements	-	1
Fees payable to the company's auditor for other services:		
Tax services	-	2
Other services	-	-

The Company has no employees. The directors are not remunerated for their services to the company. Details of their remuneration for services provided to the Group are included in the directors' remuneration report on pages 28 to 30 of this document.

c) Dividends

The following dividends were declared and paid by the Company:

	2009	2008
	£000	£000
<i>Ordinary shares</i>		
Final dividend paid in respect of year ended 31 March 2008 but not recognised as a liability in that year 1.5p per share (2008: Final dividend paid in respect of year ended 31 March 2007 1.275p per share as adjusted for the one for one capitalisation issue)	757	644
Interim dividend paid in respect of the year ended 31 March 2009 0.9p per share (2008: Interim dividend in respect of the year ended 31 March 2008 0.9p per share)	455	454
Aggregate of dividends paid in the financial year	1,212	1,098

The Board of Directors proposes a final dividend on profit for the year ended 31 March 2009 of 1.0p per share (£505,607) which together with the interim dividend of 0.9p per share (£454,969) gives a total dividend for the year of 1.9p per share (£960,576). As the final dividend has neither been voted by the shareholders nor been paid, it has not been charged to the income statement and is not recognised as a liability.

d) Investments

	Investment in subsidiary undertakings £000	Loan to joint venture £000	Investment in joint venture £000	Total £000
<i>Cost</i>				
As at 1 April 2008	4,781	914	2,212	7,907
Additions	-	-	-	-
Share-based payments to employees of subsidiary undertakings	(28)	-	-	(28)
Equalisation receipt	-	-	(111)	(111)
Disposals	-	(914)	(2,101)	(3,015)
As at 31 March 2009	4,753	-	-	4,753

On 30 September 2008, the Company disposed of its 50% interest in the joint venture company for proceeds of £2,745,000 (see next page). The Company no longer has a loan to the joint venture company or an interest in the joint venture company.

Notes to the Company Financial Statements

For the year ended 31 March 2009

Subsidiary and joint venture companies:

At 31 March 2009, the Company has the following investments in subsidiaries and joint ventures:

	Class of shares held	Ownership		Nature of Business
		2009	2008	
Sutton Harbour Company	Ordinary	100%	100%	Harbour Authority
Sutton Harbour Services Limited	Ordinary	100%	100%	Marine Leisure & Property
Plymouth Fisheries Limited	Ordinary	100%	100%	Dormant
Sutton Harbour Development Limited	Ordinary	100%	100%	Dormant
Newquay Cornwall International Airport Limited	Ordinary	100%	100%	Dormant
Plymouth City Airport Limited	Ordinary	100%	100%	Airport Operator
Air South West Limited	Ordinary	100%	100%	Airline Operator
Sutton Harbour Partnerships Limited	Ordinary	100%	100%	Property
Sutton Harbour Property and Regeneration Limited	Ordinary	100%	100%	Property
Sutton Harbour Commercial Limited	Ordinary	100%	100%	Property
Sutton Harbour Projects Limited	Ordinary	100%	100%	Property
Sutton Harbour Car Parks Limited	Ordinary	100%	100%	Car Park Operator
Sutton Harbour Projects (No 1) Limited	Ordinary	100%	100%	Property
Sutton Harbour Projects (No 2) Limited	Ordinary	100%	100%	Dormant
JV UK Company Limited	Ordinary	**%	50%	Joint Venture Holding Company
LIFT Investments Limited	Ordinary	**%	*%	Associate Holding Company
ReSound (Health) Limited	Ordinary	**%	*%	Investment in Health Care Premises
ReSound (Mount Gould) Limited	Ordinary	**%	*%	Health Care Premises
ReSound (Cattedown) Limited	Ordinary	**%	*%	Health Care Premises
Community Solutions for Primary Care (Solent) Limited	Ordinary	**%	*%	Holding Company
Solent Community Solutions Limited	Ordinary	**%	*%	Investment in Health Care Premises
Solent Community Solutions 1 Limited	Ordinary	**%	*%	Health Care Premises

All of the above companies were incorporated in the United Kingdom and registered in England and Wales.

The year end of the above companies are the same as the parent company with the exception of Community Solutions for Primary Care (Solent) Limited, Solent Community Solutions Limited and Solent Community Solutions 1 Limited, which have 31 December year ends.

*As at 31 March 2008, Sutton Harbour Holdings plc had a 50% holding in JV UK Company Limited. JV UK Company Limited, in turn, has a 62% holding in LIFT Investments Limited and a 100% holding in Community Solutions for Primary Care (Solent) Limited. LIFT Investments Limited has a 60% holding in ReSound (Health) Limited, ReSound (Mount Gould) Limited and ReSound (Cattedown) Limited. Community Solutions for Primary Care (Solent) Limited has a 60% holding in Solent Community Solutions Limited and Solent Community Solutions 1 Limited.

** As at 31 March 2009, JV UK Company Limited is no longer a joint venture of Sutton Harbour Holdings plc. Although the Group has a 50% shareholding in JV UK Company Limited, it no longer has any voting rights in relation to these shares and no entitlement to receive any income from JV UK Company Limited. Therefore, the results of JV UK Company Limited do not form part of these consolidated financial statements.

Prior to the 31 March 2008, the Company had a 62% holding in LIFT Investments Limited which, in turn, had a 60% holding in ReSound (Health) Limited, ReSound (Mount Gould) Limited and ReSound (Cattedown) Limited. The Company had joint control and therefore the investment in LIFT Investments Limited was been treated as a joint venture in accordance with FRS 9 'Associates and joint ventures'.

On 31 March 2008, Sutton Harbour Holdings plc transferred its investment in LIFT Investments Limited to JV UK Company Limited in exchange for 50% of the share capital of JV UK Company Limited. The other 50% of the share capital of JV UK Company Limited was transferred to Community Solutions for Primary Care (Holdings) Limited in exchange for its 100% holding in Community Solutions for Primary Care (Solent) Limited. The disposal generated an unrealised gain of £2.02m which is shown in the revaluation reserve.

As at 31 March 2008, the Company had a 50% holding in JV UK Company Limited. The Company had 50% of the voting rights of JV UK Company Limited with the other 50% being held by Community Solutions for Primary Care (Holdings) Limited. The Company had joint control of JV UK Company Limited and the investment in JV UK Company Limited was treated as a joint venture in accordance with FRS 9 'Associates and joint ventures'.

On 30 September 2008, the Company disposed of its 50% holding in JV UK Company Limited. Although the Company has retained its 50% shareholding in JV UK Company Limited, it no longer has any voting rights in relation to these shares and no entitlement to receive any income from JV UK Company Limited. The voting rights and entitlement to receive income have been assigned to Community Solutions for Primary Care (Holdings) Limited.

Notes to the Company Financial Statements

For the year ended 31 March 2009

The realised loss on the disposal was calculated as follows:

	£000
Proceeds received	2,745
Investment in joint venture	(3,014)
Transaction costs	(23)
Realised loss on disposal of interest in joint venture company	(292)

The unrealised gain of £2.02million recognised in the year to 31 March 2008 has now become realised.

As at 31 March 2009, the Company no longer has an interest in a joint venture company.

e) Debtors

	2009 £000	2008 £000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	20,296	11,097
Other debtors and prepayments	26	72
Total debtors	20,322	11,169

f) Creditors: amounts falling due within one year

	2009 £000	2008 £000
Bank overdraft	10,488	3,942
Corporation tax	432	52
Other creditors	37	92
Amounts owed to subsidiary undertakings	111	111
Total creditors	11,068	4,197

The following security has been given in relation to the bank overdraft facility:

- Mortgage Debenture from each entity in the Group
- Cross guarantee between all companies in the Group excluding Sutton Harbour Company
- First legal charges over named properties owned by the Group
- Legal charge from Sutton Harbour Holdings plc over shares in Sutton Harbour Company
- Accession agreement by Sutton Harbour Projects Limited

g) Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Derivative financial instruments	94	-
	94	-

Hedges of interest payments by interest rate swaps hedging future interest rate risk:

Fair value of financial liability of £94,000, contract for £6million at 1.88pct based on the GBP LIBOR rate ruling each month between 31 January 2009 and 31 January 2011.

Notes to the Company Financial Statements

For the year ended 31 March 2009

h) Called up share capital

In thousands of shares	Ordinary shares	
	2009	2008
In issue at the beginning of the financial year	50,489	24,447
Issued for cash	72	800
One for one capitalisation issue	-	25,242
In issue at the end of the financial year – fully paid	50,561	50,489
	2009	2008
	£000	£000
<i>Authorised</i>		
100,000,000 (2008:100,000,000) Ordinary shares of 25p each	25,000	25,000
<i>Allotted, called up and fully paid</i>		
50,560,732 (2008: 50,489,400) Ordinary shares of 25p each	12,640	12,622
Shares classified in shareholders funds	12,640	12,622

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.

62,688 Ordinary shares of 25p each were issued on 11 December 2008 as employees exercised share options under the Company's Save As You Earn Share Option Scheme. The Company received £21,314 in consideration for the 62,688 share options exercised.

8,644 Ordinary shares of 25p each were issued on 18 December 2008 as employees exercised share options under the Company's Save As You Earn Share Option Scheme. The Company received £2,939 in consideration for the 8,644 share options exercised.

i) Reserves

	Share premium account	Share-based payment reserve	Revaluation reserve	Hedging reserve	Profit and loss account
	£000	£000	£000	£000	£000
Balance at 1 April 2008	3	141	2,019	-	101
Issue of shares	7	-	-	-	-
Unrealised cost relating to the share-based payment schemes	-	(28)	-	-	-
Transfer to profit and loss account: gain on exchange of shares in joint venture company now realised	-	-	(2,019)	-	2,019
Effective portion of changes in fair value of cash flow hedges	-	-	-	(94)	-
Dividends	-	-	-	-	(1,212)
Profit for the year (note j)	-	-	-	-	347
Balance at 31 March 2009	10	113	-	(94)	1,255

Revaluation reserve

The revaluation reserve arose on the exchange of shares in the joint venture company as described in note d.

Hedging reserve

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

Notes to the Company Financial Statements

For the year ended 31 March 2009

j) Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Profit for the financial year	347	2,299
Dividends (see note c)	(1,212)	(1,098)
Retained (loss)/profit for the year	(865)	1,201
Share issue	18	199
Premium on share issue less costs	7	2,134
Share-based payments: value of subsidiary undertakings employee services	(28)	44
Unrealised gain on exchange of shares in joint venture company	-	2,019
Effective portion of changes in fair value of cash flow hedges	(94)	-
Net (decrease)/addition to shareholders' funds	(962)	5,597
Opening shareholders' funds	14,886	9,289
Closing shareholders' funds	13,924	14,886

k) Employee benefits

Share-based payments

Sutton Harbour Holdings plc operates three share option programmes that allow all employees to acquire shares of the Company. Options are exercisable at a price equal to 80% of the average quoted market price of the Company's shares on the three standard market trading days prior to the invitation for employees to join the scheme. The vesting periods and expiry date of each scheme are detailed in the table below. Each share option converts into one ordinary share of Sutton Harbour Holdings plc. If the options issued under these schemes remain unexercised at the expiry date, the options expire. Options are forfeited if the employee leaves the Company before the options vest, except in cases of retirement or redundancy. The share-based payments are all equity-settled.

Options are not exercisable unless the employee completes a period of either three, five or seven years service and maintain their savings requirements.

The terms and conditions of the grants are as follows:

Scheme	Number of instruments		Exercise price	Vesting period	Date from which	
	as at March 31 2009	Grant date			exercisable	Expiry date
2001 SAYE share option scheme – 7 year plan	21,616	20 Dec 2001	34.0p	7 years	1 Dec 2008	31 May 2009
2005 SAYE share option scheme – 3 year plan	1,010	20 Dec 2005	92.5p	3 years	1 Feb 2009	31 Jul 2009
2005 SAYE share option scheme – 5 year plan	233,206	20 Dec 2005	92.5p	5 years	1 Feb 2011	31 Jul 2011
2005 SAYE share option scheme – 7 year plan	31,418	20 Dec 2005	92.5p	7 years	1 Feb 2013	31 Jul 2013
2008 SAYE share option scheme – 3 year plan	140,310	29 Jan 2008	81.0p	3 years	1 Mar 2011	31 Aug 2011
2008 SAYE share option scheme – 5 year plan	201,757	29 Jan 2008	81.0p	5 years	1 Mar 2013	31 Aug 2013
2008 SAYE share option scheme – 7 year plan	27,147	29 Jan 2008	81.0p	7 years	1 Mar 2015	31 Aug 2015

* Adjusted for the one for one capitalisation issue

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at the beginning of the financial year	82.7p	1,164,643	85.6p	874,732
Cancelled during the year	88.5p	(436,847)	92.3p	(173,926)
Exercised during the year	34.0p	(71,332)	92.5p	(6,130)
Granted during the year	N/Ap	-	81.0p	469,967
Outstanding at the end of the financial year	84.1p	656,464	82.7p	1,164,643
Exercisable at 31 March		22,626		-

Notes to the Company Financial Statements

For the year ended 31 March 2009

The weighted average share price at the date of exercise of share options exercised during the period was 45.0p (2008: 125.7p).

The options outstanding at the year end have an exercise price in the range of 34p to 92.5p and a weighted average remaining contractual life of 3.18 years (2008: 3.49 years).

The fair value of the options is measured at the date of grant using a Black-Scholes option pricing model.

The inputs into the Black Scholes model are as follows:

	Options granted Jan 2008			Options granted Dec 2005		
	3 year plan	5 year plan	7 year plan	3 year plan	5 year plan	7 year plan
Fair value at measurement date	34.7p	36.5p	39.5p	39.5p	45.5p	48.5p
Grant date share price	101.5p	101.5p	101.5p	115.5p	115.5p	115.5p
Exercise price	81.0p	81.0p	81.0p	92.5p	92.5p	92.5p
Expected volatility	33.3%	26.9%	25.6%	32.75%	32.36%	30.72%
Expected life	3.11yrs	5.11yrs	7.11yrs	3.12yrs	5.12yrs	7.12yrs
Dividend yield	1.50%	1.50%	1.50%	1.39%	1.39%	1.39%
Risk-free interest rate	4.13%	4.21%	4.30%	4.18%	4.18%	4.16%

The expected volatility was determined by calculating the historical volatility of the Group's share price based on an analysis of weekly share prices over three, five and seven years prior to the date of grant. It has been assumed that similar levels of volatility will continue in the future.

There are no market conditions associated with the share option grants.

The expected life used in the model assumes that employees exercise their options at the earliest opportunity.

The risk-free interest rate is based on the yield available on zero-coupon government bonds of duration equal to the terms of the options.

The total recognised in the share-based payment reserve for the period arising from share-based payments are as follows:

	2009	2008
	£000	£000
Equity settled share-based payments	(28)	44

l) Contingencies

The Company has given an unlimited guarantee in respect of bank borrowings of all subsidiary companies. At 31 March 2009, these borrowings amounted to £8,293,000 (2008: £4,134,000).

m) Ultimate parent company and controlling party

Sutton Harbour Holdings plc is the ultimate parent company of the Group and hence there is no separate controlling party. The consolidated financial statements of the Group headed by Sutton Harbour Holdings plc are presented separately on pages 34 to 67 of this document. The results of the company are not consolidated in any other group's financial statements.

Notes
