Sutton Harbour Holdings plc

Annual Report and Financial Statements
31 March 2010

Registered 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 in Plymouth s historic Barbican area comprising Sutton Harbour Fisheries – third largest fresh fishmarket in England – Sutton Harbour marina village providing berthing for 573 vessels and an estate of harbour frontage investment properties These provide stable core annuity income fees and rents Recent development of the Group s harbourside land has contributed to the appeal of the area Harbourside tenants include the National Marine Aquarium South West of England Regional Development Agency and pub and restaurant chains Prestigious events hosted include the Artemis 2008 Transat race start, with over 100 000 visitors and the 2009 Rolex Fastnet Yacht Race finish

TRANSPORT ACTIVITIES

In 2000 the Group purchased Plymouth City Airport Limited and the 150 year lease of the regional airport It is used by scheduled commercial airline operators the military and other general aviation customers In 2008 Plymouth City Council agreed to transfer the freehold of 22 acres of surplus land to the Group Planning permission was achieved on 30 April 2009 for a mixed use development A deal followed with a developer for the sale of 19 0 acres of the land in tranches over the following three years In 2003 the Group started Air Southwest operating scheduled UK domestic services with 5 Dash 8-300 aircraft Destinations include Gatwick, Bristol Manchester Leeds Newcastle, Glasgow, Cork Dublin Jersey, Guernsey and Grenoble

REGENERATION ACTIVITIES

This division includes rentals from investment properties regeneration activities and is focused on development for revenue and capital growth It has increased scale and geographical spread of regeneration activities by partnering with public authorities to regenerate disused waterfront or brownfield sites The Group is currently working on schemes in Exeter Portland and Swansea plus further Sutton Harbour schemes Following successful involvement in the Plymouth LIFT programme Sutton Harbour has been selected as part of a consortium to bid for LIFT projects in England under the NHS Express LIFT National Framework Agreement This consortium has been chosen by NHS Cumbria as its private sector partner

CHAIRMAN'S STATEMENT

THE GROUP REPORTS RECORD RESULTS IN ITS REGENERATION AND MARINE DIVISIONS, AGAINST THE BACKDROP OF A SHARP DETERIORATION OF RESULTS WITHIN THE TRANSPORT SECTOR CAUSED BY THE DIFFICULT ECONOMY

Key achievements during this year have been

- Sale of two tranches of surplus land at Plymouth City Airport
- Sale of first phase of Portland development to Royal Yachting Association
- Selected as part of consortium to partner NHS Cumbria to develop healthcare facilities in Cumbria under Express LIFT framework and
- Raising of a net £6 7m in the equity markets in September 2009

RESULTS

Profit before tax for the year ended 31 March 2010 was £2 515m (2009 loss £3 450m) These results are stated after the fair value deficit adjustment on investment property of £539 000 (2009 deficit £2 787m) following an external valuation as at 31 March 2010 Of this deficit £501 000 deficit was recorded in the first half year The profit is stated after recording an operating loss of £3 945m (2009 loss £851 000) in the transport division after enduring a very difficult year that has been harshly impacted by pressure on fares weaker demand costs of developing new routes and exceptionally poor winter weather Net assets at the balance sheet date were £43 1m compared to £35 4m a year earlier and include the surplus on revaluation of the owner-occupied portfolio of £220 000 (2009 deficit £768 000)

GROUP STRATEGY

The board has undertaken a strategic review and has decided to concentrate the Company s focus on activities where its greatest strengths lie The Group is a specialist in regenerating dilapidated or underused land and property into new assets from which annuity incomes in the form of rents or other revenues can be earned or sold for capital receipts The Group has developed particular strength in working in partnership often with public sector organisations to conceive develop and maintain new assets which have a long term sustainable future

To enable the Group to resource core activities more effectively the board has taken the decision to dispose of the airline division Air Southwest which was started by the Group in 2003 has made a positive contribution to date notwithstanding the loss for the year under review The division has enabled the Group to develop the business at Plymouth City Airport Investment into the airline business was necessary to achieve this and the sale of surplus land at Plymouth City Airport has created financial headroom However, the combination of difficult economic trading and environmental factors have demonstrated the unbalancing effect that the airline can have on the financial results of the Group Divestment of the airline from the Group is considered by the board to be the best course of action to improve shareholder value and to preserve air links for the region operations out of Plymouth City Airport and employment Talks with a prospective purchaser are in progress but it is premature to assess the impact of any sale on the net assets of the business

BANKING

Gearing (total borrowing as a percentage of net assets) at 31 March 2010 was 35 0% (2009 58 2%) Cash inflows from the sale of airport land sale of a development in Portland and the equity issue have been instrumental in reducing the Group s indebtedness during the year The Group remains well within its agreed banking facilities and covenants and current facilities with RBS are in place until November 2010 The Group is currently in positive discussions with RBS to renew these facilities

DIVIDEND

The board s long term aim is to provide reward to shareholders in the form of progressive dividends whilst balancing this with the need to maintain the financial stability of the Group and to provide sufficient headroom to fund new opportunities The board proposes a final dividend of 1 0pence per share (2009 1 0pence per share) which together with the interim dividend paid in January 2010 gives a total dividend for the year of 1 9pence (2009 1 9pence) The final dividend will be paid on 20 August 2010 to shareholders on the register on 6 August 2010 The shares are expected to go ex-dividend on 4 August 2010

REGENERATION

The Group has continued to manage the Regeneration division in line with stated intentions to progress schemes in a phased approach to control cash flow and reduce risk to sell selected assets where judged commercially beneficial and to manage the property portfolio to maximise value

The Group s portfolio of property assets was externally valued at 31 March 2010 The stabilisation of values during the last twelve months reflects the quality and strength of our property portfolio and compared to the external valuation at 30 September 2009 owner-occupied properties have increased by a net £587 000 reflecting good trading at Sutton Harbour fisheries During the second half year investment properties valuation changed very little with a deficit of £38,000 recorded in this period

The division has realised profits from two significant projects during the year The sales of the first two (of four) tranches of the surplus land at Plymouth City Airport have been completed and the building developed for the Royal Yachting Association in Portland was sold in December 2009 The first phase of a mixed-use development in Exeter was finished at the start of 2010 with the Group retaining the ground floor unit for commercial letting Discussions with the BBC have progressed throughout the year in respect of the proposed development at Sutton Harbour

The Group has a good pipeline of projects for the foreseeable term and attractive opportunities which fit with the Group s core skills are being appraised Last year I reported that the Group with its consortium partners had been shortlisted as an eligible bidder for future projects under the NHS Express LIFT National Framework Agreement This consortium was selected ahead of strong competition for the first initiative under this new framework to work with NHS Cumbria

TRANSPORT

The Transport division has experienced a very difficult trading year The very poor weather during December 2009 and January 2010 resulted in several days of cancelled services These cancellations together with depressed revenues and the costs of starting the London City service in April 2009 meant losses progressed throughout the year to give a division result of £3 945m loss (2009 £851 000 loss)

Since the year end the closure of UK airspace due to Icelandic volcanic ash has further impacted the financial results of the division and this has influenced the board s decision to withdraw the twice daily services to London City Airport from Plymouth and Newquay to save costs The route was popular for a segment of our customer base but overall demand was insufficient to cover the high operating costs

At Plymouth City Airport increased levels of activity by Air Southwest resulted in 11% extra passenger throughput in the period The Group will continue to operate the airport which is regarded as part of the specialised asset portfolio

MARINE

The marine activities of the Group have had a record year Nearly £12m in fish value was landed at Sutton Harbour Fisheries (2009 £8m) the Plymouth fishmarket making it the third largest fresh fish market in England These record landings together with a recovery in fuel sales have resulted in strong performance by the fisheries sub-division The marinas have continued to trade well and the facility benefited from hosting the finish to the Rolex Fastnet race in August 2009 The marine division continues to provide stable annuity revenues to the Group and management are at bidding stages to extend marine related activities into other localities

CORPORATE GOVERNANCE

I reported in my interim statement that Tim Bacon stepped down from the board after five years as a director on 1 December 2009 On behalf of the board I thank Tim for his significant contribution to the development of the regeneration activities of the Group To fill the vacancy Sean Swales was appointed non-executive director on 1 December 2009 Sean is the Finance Director of Rotolok (Holdings) Limited which is the largest shareholder in the Company I am sad to report that Keith Sykes died after a short illness on 24 April 2010 Keith had been a non-executive director of the Company since December 2008 and he was also a significant and long-standing shareholder He brought a wealth of experience to the board and his enthusiasm and commitment will be sadly missed

The directors are grateful to all the staff for their hard work and commitment to the Group In particular the directors would like to thank the transport division personnel who continue to offer a high standard of customer service to passengers in the face of adverse weather conditions volcanic ash disruption and uncertainty caused by difficult trading conditions

SUMMARY AND OUTLOOK

Your Company has decided on a positive course of action to focus on its core property and marine activities This narrower range of activities will improve the Group s ability to resource and progress the project pipeline and pursue new opportunities as they come forward Your board is positive about the Group s future prospects to develop and grow its core activities

Michael Knight
Chairman
25 May 2010

CHIEF EXECUTIVE'S REPORT

Sutton Harbour has a unique high quality asset base, comprehensive regional knowledge and is founded on partnership values with both private and public sectors Each of our asset-based regeneration, marine and airport activities are complementary, producing annuity revenues in the form of rents, fees and other charges, development profits and realisation of capital improvement through sale of selected assets Air Southwest has contributed to the Group as a vital transport link for the South West of England and therefore acted as a wider regeneration agent and it has demonstrated its ability to produce good returns The airline is, however, a trading business with different traits to the core activities of the Group and separation of this business from the Group is considered the most appropriate action to allow Sutton Harbour and Air Southwest to improve their respective performances into the medium term

The pressures of difficult economic conditions have not eased much over the past year and the Group continues to focus its efforts on cash management, maintaining an appropriate capital structure and looking after its core assets The Group is still active in looking for new opportunities which closely marry with core activities and competences, but new projects will be brought forward in phases as economic conditions permit

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

RESULT

The Group achieved an operating profit for the year of £3 342m before fair value adjustments on the investment property portfolio These results are after recording an operating loss of £3 945m in the transport division which has been impacted by costs to support the start-up of new routes and pressure on revenues from weaker passenger demand and competition in addition to losses resulting from cancelled services due to extreme winter conditions

REGENERATION DIVISION

The portfolios of investment and owner-occupied assets were externally valued at 31 March 2010 Overall, a deficit of £319 000 was recorded representing a 0 7% decline over the twelve month period The high quality asset base with rental and annuity incomes which have held up well has supported stabilisation of the property asset valuation

Property development projects continue to be phased and brought forward as conditions allow The first phases of schemes in both Portland and Exeter were completed, with sale of the Portland development to Royal Yachting Association taking place in December 2009 Further phases in both these locations are programmed We have been progressing with our discussions with the BBC to bring forward the planned development at Sutton Harbour

Completion of the agreement to sell surplus land at Plymouth City Airport was achieved in June 2009 In the year ended 31 March 2010 two of the four tranches of land were sold to a developer Planning permission for development of the surplus land was granted as part of a wider airport enhancement package The phased land sales provide future visibility of income streams over the next two years

TRANSPORT DIVISION

During the year we worked to develop strategies to stabilise this division and reduce losses We started the year with the launch of a new Plymouth/Newquay/London City route and although early bookings were encouraging the route did not mature in line with our expectations and a decision was taken to withdraw it on 21 May 2010 to save costs and improve operational efficiencies Conscious of the need to reach new markets marketing activity was increased and Air Southwest worked towards entry to global distribution systems (GDS) through an alliance with Eastern Airways Access to Air Southwest services through GDS starts in June 2010

At Plymouth City Airport runway lighting has been upgraded as part of a grant-aided improvements programme The facility has catered 129 406 passengers during the year to 31 March 2010 11% more than in the previous twelve months (2009 116 579) and connects the South West region to eleven destinations

MARINE DIVISION

Sutton Harbour Marina has 573 berths making it one of the largest facilities in the South West and it has the benefits of city centre location and calm waters inside the lock gates Berthing yields have been increased during the year and for the forthcoming season as we continue to maintain facilities to a high standard and continue to make improvements The attractions of the high quality facilities are becoming more widely known after increased marketing outside of the South West catchment area and good sailing makes this area an attractive alternative to the south coast

Fishing has recorded its best landings in recent years and a record value of fish was landed at Sutton Harbour Fisheries in the year ended 31 March 2010 The facility continues to attract customers to the market which receives fish for auction from both quayside and transported from other ports

EMPLOYEE REPORT

The Group currently has 245 employees and operates an equal opportunities policy We have been re-accredited as an Investor in People during the year and are pleased to have established a Staff Consultative Forum to improve communications and participation across all business divisions We have an open and supportive culture within the business, with bi-annual staff forums which contain business briefings and staff feedback sessions I am appreciative of colleagues hard work and commitment through continued difficult conditions

Nigel Godefroy
Chief Executive
25 May 2010

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	9 December 2009	11 December 2009	6 January 2010
Final	1 0p per share	4 August 2010	6 August 2010	20 August 2010

ACCOUNTING

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

PROPERTY VALUATION

During the year independent valuation of the Group s investment and owner-occupied portfolio was undertaken at 30 September 2009 and at 31 March 2010 The valuation at 30 September 2009 gave rise to a net deficit of £869 000 in the first half year with recovery in the second half year of £550,000 resulting in a total net deficit for the year of £319 000 This net deficit is reconciled as £220 000 surplus on owner-occupied assets and £539 000 deficit on investment property assets This indicates a stabilisation of the Group s property asset portfolio at a time when there is still downward pressure in the property investment market as a whole

The vacant property provision has been reduced by £245 000 to £46 000 as incomes are now reasonably foreseen to mitigate the costs of this lease

EXCHANGE RATE AND FUEL COMMODITY PRICE HEDGING

Many of the costs of running Air Southwest are denominated in US Dollars During the year ended 31 March 2010 the Group purchased most of its US Dollar requirements at between $1 76 £ to $1 80 £ These hedge contracts finished at the end of the financial year and for the current financial year hedge contracts for a proportion of US Dollar requirements have been taken out at $1 52 £

Fuel hedge contracts at between $675/metric tonne and $792/metric tonne were used to purchase fuel during the year ended 31 March 2010 These hedges were taken out to protect against very high fuel commodity prices that were a possibility As prices varied during the year to between $438/metric tonne and $707/metric tonne the hedged rates exceeded spot rates Hedge contracts have been taken out for 99% of the current summer season fuel requirements to secure this cost for Air Southwest

CASH FLOW AND FINANCING

Total borrowings at 31 March 2010 were £15 1m (2009 £20 6m) with a gearing level at 35 0% (2009 58 2%) The Group has core borrowing facilities of £25m which run until November 2010 with discussions with bankers to renew these facilities currently in process New facilities to progress the Group s strategic intentions and to provide flexibility to cater to the Group s mix of activities are the objective of the facility renewal process and an offer to renew £25m facilities has been received The Group has operated within applicable bank covenants during the year In addition the Group secures separate development financing for specific projects There is no development financing drawn as at 31 March 2010 During the year the Group has generated good cash inflows from the sale of airport land sale of a completed building in Portland and a net £6 7m upon issue of shares in the equity markets These have been used to reduce borrowings and other major cash outflows which have included the costs of aircraft overhauls and investment into regeneration projects The Group has underlying annuity cash inflows in the form of rents fees and charges from the core marine and property investment activities LIBOR rates are hedged at 1 88% until January 2011

SHARE CAPITAL

During the year the Company issued 12 361 404 ordinary shares at a price of 57 pence per share by way of share issue to the equity markets This placing, which raised a net £6 7m was effective in reducing gearing and added new institutional shareholders to the register 21 616 ordinary shares were issued following exercise of SAYE options by employees of the Group The Company has 62 943 752 ordinary shares in issue at 31 March 2010

BUSINESS RISKS

The assessment of the Group s key business risks and their management is given on pages 18 to 19

TAXATION

The standard rate of tax applicable to the Group is 28% (2009 28%) The overall tax charge for the year is £414 000 (2009 credit of £996 000) which gives an effective tax rate of 16 5% (2009 28 9%)

This overall tax charge is reduced by utilisation of capital losses and adjustments in relation to previous years Further information on the tax charge for the year is detailed in note 10 of the financial statements

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
25 May 2010

KEY PERFORMANCE INDICATORS

The material Key Performance Indicators relevant to our business activities are

FINANCIAL HIGHLIGHT	2010	2009
Net Assets (£000)	43,133	35,414
Profit/(Loss) before Tax (£000)	2 515	(3,450)
Basic earnings per share	3 64p	(4 86)p
Dividend per share	1 9p	1 9p
Net Debt (£000)	15,089	20,612
Gearing (See note 3)	35 0%	58 2%

KEY PERFORMANCE INDICATORS RELEVANT TO AIR SOUTHWEST	2010	2009
Network Passengers	307,332	292,392
Airline Load Factor	61%	62%

KEY EVENTS BY DIVISION

MARINE ACTIVITIES

- Record year trading for Sutton Harbour Fisheries the Plymouth fishmarket which recorded landings worth £11 9m (2009 £8 4m) up 42% on previous year Sutton Harbour Fisheries is the third largest fishmarket in England
- Hosting of finish of Rolex Fastnet race in August 2009 by Sutton Harbour
- Good marina occupancy rates during 2009/2010 and for current 2010/2011 season

TRANSPORT ACTIVITIES

- Growth in passengers numbers by 11% at Plymouth City Airport during year
- Installation of new runway lighting at Plymouth City Airport which was grant-aided
- London City route operated by Air Southwest from Plymouth and Newquay from April 2009 to May 2010
- Worst winter for 30 years disrupted flying schedules during December 2009 and January 2010
- Icelandic volcanic ash in the atmosphere closed UK airspace for 6 days during April 2010 resulting in cancellation of Air Southwest services

REGENERATION ACTIVITIES

- Agreement for sale of surplus land at Plymouth City Airport signed in June 2009
- Completion of sale of first tranche of surplus airport land achieved in June 2009 followed by completion of sale of second tranche in December 2009 Third and fourth tranches to follow in 2010 and 2011
- Development of Royal Yachting Association building in Portland completed and sold in December 2009 The building was officially opened by HRH Princess Anne in April 2010
- May 2009 - Selected, as part of consortium as one of seven preferred partners to work with NHS on Express LIFT initiatives to develop community healthcare facilities
- November 2009 – Consortium selected by NHS Cumbria as preferred partner to develop community healthcare facilities in Cumbria

THE GROUP'S STRATEGY

- The Group specialises in working in partnerships to transform dilapidated or underused areas into high quality assets which earn incomes in the form of annuity type trading revenues and rents
- The Group is focused on operating within marine transport and health sectors in non-metropolitan regions of the United Kingdom

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 strength as specialists in regeneration in 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 earnings from core divisions
- Retention of assets for investment and revenue earning potential
- Development of businesses to advance geographical spread of operation
- Maintenance of mix of business property to preserve business property relief
- Strong cash management
- Develop mix of businesses with complementary short and long term 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	Planning consent granted April 2009 Two of four tranches of the land sold during year ended 31 March 2010 with two remaining tranches programmed for sale during 2010 and 2011
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 Now 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 completed December 2009 Commercial space held for letting as at 31 March 2010 Further phases to follow
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 sale of 16,000 sq ft space to the Royal Yachting Association in December 2009 Negotiations for further phases in progress

PROJECT	DESCRIPTION	STATUS
SWANSEA	Mixed-use waterfront scheme partnering with the City and County of Swansea	Masterplanning work in progress Sutton Harbour named provisional preferred partner
NHS EXPRESS LIFT NATIONAL FRAMEWORK	Fast-track procurement programme, enabling the efficient delivery of primary care facilities throughout England	Sutton Harbour Holdings plc is part of a consortium selected as one of 7 Private Sector Framework Partners which have entered into an Express LIFT National Framework Agreement with the Secretary of State for Health This consortium has been selected to partner NHS Cumbria

MANAGING BUSINESS RISKS

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

GROUP RISKS	RISK IDENTIFIED	RESPONSE TO RISK
• Financing	The availability of adequate borrowing and other funding facilities	The Group has £25m facilities in place which expire in November 2010 The Group has received an offer for £25m facilities to run until June 2011 on acceptable terms The board is currently considering this offer As an alternative or in addition to bank funding the Group has other current opportunities to raise funds including through sale of specific assets
• 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 Company	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 supportive Company ethos, competitive remuneration and other benefits including SAYE scheme
MARINE ACTIVITIES		
• Lock Operations	Continuation of marine activities is dependent on 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 fail safe 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 include closure of the lock gates

GROUP RISKS	RISK IDENTIFIED	RESPONSE TO RISK
TRANSPORT DIVISION		
• Security	The increased threat to aviation security from terrorism is well publicised	Airport security is highly regulated and Plymouth City Airport is obligated to comply with 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 obligated to meet requirements of 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
• Exchange Rate	The risk of weakening sterling on the financial performance of the division	The Group has a strategy to enter into forward contracts for US Dollars on a proportion of future costs denominated in US Dollars to minimise financial exposure where this is judged beneficial and practical
• Business Conditions	The impact on passenger demand as a result of the economic conditions and competitive pressures	Passenger load factors are monitored closely by management and where necessary air services are adjusted accordingly
• Environmental Conditions	The risk that environmental conditions (weather related or other) result in grounded aircraft and resultant financial loss	The Group holds equipment and supplies to deal with snow and ice Due to the nature of operations certain levels of environmental disruption are expected and operating safely is the paramount consideration
REGENERATION DIVISION		
• Economic Cycles	Continued turbulence in the property markets presents a 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
• 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 Completion 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 Natasha Gadsdon and has representation from all Group activities The Health and Safety committee is an open forum and minutes of the meetings are made available to all staff 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 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 the 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 is 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 hosted the finish of the Rolex Fastnet Race in 2009 The Sutton Harbour Classic Boat Rally is hosted annually

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 with Plymouth City Council has worked with community representatives to resolve concerns over lack of public open space the provision of affordable housing and the outdoor eating areas

Natasha Gadsdon
Finance Director
25 May 2010

DIRECTORS AND ADVISERS

COMPANY NO· 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 - Retired 1 December 2009)
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 – Deceased 24 April 2010)
Sean Swales (Non-Executive Director – Appointed 1 December 2009)

SECRETARY: Natasha C Gadsdon

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DIRECTORS' REPORT

The directors present their Directors Report and Group Financial Statements for the year ended 31 March 2010

RESULTS

The Group s profit before tax amounted to £2 515 000 (2009 loss before tax £3 450 000) Detailed results are set out on page 34

PROPOSED DIVIDEND

An interim dividend of 0 9p (2009 0 9p) net per ordinary share was paid on 4 January 2010 The directors have proposed a final ordinary dividend in respect of the current financial year of 1 0p (2009 1 0p) net per ordinary share representing 1 9p (2009 1 9p) for the year The proposed final ordinary 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 0p per share in respect of the previous year ended 31 March 2009 together with an interim dividend in respect of the year ended 31 March 2010 of 0 9p per share

PRINCIPAL ACTIVITIES

The principal activities of the Group are property regeneration investment and development provision of transportation and related facilities and the operation of an airline The Group is headquartered at Sutton Harbour Plymouth and owns and operates the harbour and its ancillary facilities

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 Financial Review on pages 10 and 11 which are 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

CARRYING VALUE OF AIR SOUTHWEST

Following the decision to dispose of Air Southwest the Group is currently in negotiations with interested parties Given the current status of the negotiations the ultimate outcome including the level of disposal proceeds, is subject to significant uncertainty The directors have considered the carrying value of the net assets and liabilities related to the airline business and have concluded that based on current available evidence no impairment has occurred However this is ultimately dependent on the final outcome of the disposal process Accordingly no adjustment to the carrying amount of the net assets and liabilities of £3 8m relating to the airline business has been included in these financial statements

FINANCIAL RISK MANAGEMENT

The Group s financial risk management objectives and policies are given in note 3

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 last working day of the month two months following receipt of invoice unless there is an agreement to the contrary or the invoice is disputed The Group ensures that all suppliers are made aware of payment terms

At 31 March 2010 the Group had an average of 37 days purchases outstanding in trade creditors (2009 52 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 contributions totalling £2 890 (2009 £4 997) Donations were made to various local and national charities

There were no political donations (2009 none)

MAJOR SHAREHOLDINGS

As at 25 May 2010 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	25 45	16 018 625
Crystal Amber Fund Limited	9 12	5,742,982
*Pershing Nominees Limited	5 56	3 502,521
*Rock Nominees Limited	4 91	3 089 808
BS Pension Fund Trustee Limited	3 84	2 416,386
Mr T R and Mrs M E Winser	3 21	2 022 604

*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 in the ordinary shares of the Company as at 31 March 2010 are set out below There have been no changes in these interests between 1 April 2010 and 25 May 2010 Natasha Gadsdon and Jason Schofield 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

	2010	2009
Michael A Knight	**35 990**	27990
Nigel J Godefroy	**169,832**	151 332
Natasha C Gadsdon	**77 632**	77,632
Jason W H Schofield	**4,000**	4 000
Timothy F S Bacon (Retired 1 December 2009)	**N/A**	19 712
Anthony D Everett	**29,000**	14 000
John A N Heawood	**7,500**	7 500
Malcolm V L Pearce	**652 000**	652 000
J Keith Sykes (Deceased 24 April 2010)	**400,000**	400,000
Sean J Swales (Appointed 1 December 2009)	**10,000**	N/A

SUBSEQUENT EVENTS

In April 2010, the Group achieved planning consent (subject to S106 agreement) for the construction of 62 residential apartments with ground floor commercial units

In May 2010 heads of terms were agreed with a serviced office provider to sublet the two floors of Salt Quay House that the Group currently leases

Since the year end the Group has been offered renewed £25 million banking facilities for a twelve month period with effect from June 2010 with interest rates based on LIBOR

Since the year end the board has decided to dispose of the airline business Air Southwest The Group is currently in negotiation with interested parties

DIRECTORS AND THEIR INTERESTS

Michael A Knight

Aged 56 Appointed Non-Executive Director in July 2005 and Chairman in July 2007 He is a Chartered Accountant and was a Non-Executive Director of Charles Taylor Consulting plc He has been appointed to the board of Charles Taylor Underwriting Agencies Limited which is regulated by the FSA He was formerly a partner of Ernst & Young LLP

Nigel J Godefroy

Aged 45 Appointed Executive Director in October 1996 and Managing Director in October 2004 He is a Chartered Accountant and has been with the Group since 1992

Natasha C Gadsdon

Aged 40 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 44 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 plc

Timothy F S Bacon (Retired 1 December 2009)

Aged 42 Appointed Non-Executive Director in October 2007 and retired as Non-Executive Director in December 2009 He was previously an Executive Director of the Group from July 2004 to October 2007 He is a Chartered Surveyor and had been with the Group since 2000 He was a member of the Audit Committee

Anthony D Everett

Aged 62 Appointed 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 Chairman of the Audit Committee on 1 December 2008 and is a member of the Remuneration Committee

Malcolm V L Pearce

Aged 71 Non-Executive Director since 2002 and a member of the Audit and Remuneration Committees He is the Chairman of the Johnsons Group He is a Director of a number of other companies

John A N Heawood

Aged 57 Appointed 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 is Managing Director of Ashtenne Asset Management Previously a Director of Segro plc (formerly Slough Estates plc) and DTZ.

J Keith Sykes (Deceased 24 April 2010)

Aged 77 Appointed Non-Executive Director and a member of the Audit and Remuneration Committees on 1 December 2008 He was formerly Chief Executive of Watts, Blake, Bearne & Co plc and a Non-Executive Director of TSW – Television South West Holdings plc He was also a substantial shareholder in the Company

Sean Swales (Appointed 1 December 2009)

Aged 42 Appointed Non-Executive Director in December 2009 he is a Chartered Accountant and is Group Finance Director of Rotolok (Holdings) Limited the Groups largest Shareholder

In accordance with the Company s Articles of Association Michael Knight and Jason Schofield retire by rotation at this year s Annual General Meeting and being eligible offer themselves for re-election Additionally Sean Swales offers himself 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

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
25 May 2010

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 five independent non-executive directors and three executive directors and is responsible for the proper management of the Group and for reporting the Group s progress to Shareholders The board meets monthly reviewing trading performance ensuring adequate funding monitoring strategy and examining acquisition possibilities The board has a formal schedule of matters specifically reserved to it for decision The roles of Chairman and 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 Sean Swales 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 Malcolm Pearce John Heawood and Sean Swales 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 shareholders The Committee is also responsible for making recommendations to the board to be put to shareholders for approval at the AGM in relation to the appointment and removal of the 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

The review of the Group s business activities is set out in the Chairman s Statement on pages 4 to 7 and the Chief Executive s Report on pages 8 and 9 The financial position of the Group its cash flows and financing position are described in the Financial Review on pages 10 and 11 In addition note 3 to the financial statements gives details of the Group s financial risk management

As reported in the Chairman s Statement economic conditions continue to be challenging particularly for the transport division and the board has decided since the year end to dispose of the airline business Air South West Limited Notwithstanding that the Group is implementing a plan to improve the results of Air Southwest the difficult trading conditions and recent impact of volcanic ash disruption together with the eventual result and timing of a sale of Air South West Limited create uncertainty The Group is reliant on bank finance in the form of revolving credit facilities which are due for renewal in November 2010 The renewal process has not yet been concluded An offer has been received from the Group s bankers which would be acceptable to the Group and is being considered The absence of committed facilities after November 2010 therefore constitutes an additional uncertainty The Group s forecasts and projections taking account of various reasonably possible sensitivities and scenarios (including the disposal of Air Southwest) show that the Group should be able to operate within the anticipated level of facilities Taking into account the uncertainties that exist and after considering the forecast results, cash flow projections and bank covenant compliance the directors consider that 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
25 May 2010

REPORT ON REMUNERATION

REMUNERATION COMMITTEE AND REMUNERATION POLICY

The members of the Committee during the year were as follows

John A N Heawood (Chairman)

Michael A Knight

Malcolm V L Pearce

Anthony D Everett

J Keith Sykes (Deceased 24 April 2010)

Sean Swales joined the Remuneration Committee with effect from 1 April 2010

The Committee met five 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

The executive directors salaries were not increased during the financial year and are under review for the year 2010/2011 together with a review of directors service contracts Profit share bonuses of £9 000 for Nigel J Godefroy and £6 000 for Natasha C Gadsdon in respect of the year ended 31 March 2010 are waived as further 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 A profit share bonus of £6 000 for Jason W H Schofield in respect of the year ended 31 March 2010 is payable in June 2010 No bonuses were payable in respect of the year ended 31 March 2009

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

	2010 £000	2009 £000
Fees	140	123
Other Emoluments	346	372
Pension Contributions	34	33
	520	528

The remuneration excluding pension contributions of the individual directors is as follows

For the year to 31 March 2010	Directors salaries and other payments £000	Bonuses based on profits of year ended 31 March 2010 £000	Taxable benefits £000	Directors fees £000	Total 2010 £000
Michael A Knight	-	-	-	40	40
Nigel J Godefroy	143	-	18	-	161
Natasha C Gadsdon	60	-	8	-	68
Jason W H Schofield	97	6	14	-	117
Timothy F S Bacon (Retired 1 December 2009)	-	-	-	13	13
Anthony D Everett	-	-	-	20	20
John A N Heawood	-	-	-	20	20
Malcolm V L Pearce	-	-	-	20	20
J Keith Sykes (Deceased 24 April 2010)	-	-	-	20	20
Sean Swales (Appointed 1 December 2009)	-	-	-	7	7
	300	6	40	140	486

For the year to 31 March 2009	Directors' salaries and other payments £000	Taxable benefits £000	Directors' fees £000	Total 2009 £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

The pension contributions made in respect of the executive directors were

	2010 £000	2009 £000
Nigel J Godefroy	14	14
Natasha C Gadsdon	10	9
Jason WH Schofield	10	10
	34	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 Companys Save as You Earn scheme to acquire Ordinary shares in the Company Details of the outstanding SAYE options are provided below

	At 1 April 2009	Number of options granted during the year	Number of options lapsed during the year	Number of options cancelled during the year	At 31 March 2010	Exercise Price	Date from which exercisable	Expiry date
Natasha C Gadsdon	11,851	-	-	-	11 851	81p	1 Mar 2011	31 Aug 2011
Jason WH Schofield	8 296	-	-	-	8 296	81p	1 Mar 2013	31 Aug 2013

The market value of the shares was 42 5p as at 31 March 2010 The maximum and minimum values of the shares during the year were 73 5p and 38 5p respectively No share options were exercised in either year

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
25 May 2010

Statement of Directors' Responsibilities

For the year ended 31 March 2010

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 United Kingdom Generally Accepted Accounting Procedures (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period

In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether IFRSs as adopted by European Union and applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively,
- 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

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

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

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
25 May 2010

Independent Auditors' Report

For the year ended 31 March 2010

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 2010 which comprise the Consolidated Income Statement the Consolidated Statement of Comprehensive Income the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity the Consolidated Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Directors Responsibilities Statement set out on page 32 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Boards Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Groups members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Groups circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the Group financial statements

- give a true and fair view of the state of the Groups affairs as at 31 March 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Carrying value of Air Southwest

Without qualifying our opinion we draw attention to Note 2 to the financial statements Following the decision to dispose of Air Southwest, the Group is currently in negotiations with interested parties Given the current status of the negotiations the ultimate outcome including the level of disposal proceeds is subject to significant uncertainty The directors have considered the carrying value of the net assets and liabilities related to the airline business and have concluded that based on current available evidence no impairment has occurred However this is ultimately dependent on the final outcome of the disposal process Accordingly no adjustment to the carrying amount of the net assets and liabilities of £3 8m relating to the airline business has been included in these financial statements

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements

Matters on which we are required to report by exception

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

- certain disclosures of directors remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of Sutton Harbour Holdings plc for the year ended 31 March 2010 That report is modified by the inclusion of an emphasis of matter

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
26 May 2010

Consolidated Income Statement

For the year ended 31 March 2010

	Note	2010 £000	2009 £000
Continuing operations			
Revenue	5	39,274	29 262
Cost of sales		(34 712)	(28 185)
Gross profit		4 562	1 077
Other operating income	6	290	19
Administrative expenses		(1,422)	(1 428)
Other operating expenses		(88)	(10)
Loss on disposal of investment property	15	-	(267)
Operating profit/(loss) before fair value adjustments on investment property		3 342	(609)
Fair value adjustments on investment property	15	(539)	(2 787)
Operating profit/(loss)	5,6	2,803	(3 396)
Financial income	9	11	95
Financial expense	9	(299)	(962)
Net financing costs		(288)	(867)
Realised gain on disposal of interest in joint venture company	16	-	908
Share of loss of associate using the equity accounting method		-	(95)
		-	813
Profit/(loss) before tax		2,515	(3 450)
Taxation	10	(414)	996
Profit/(loss) for the year attributable to equity shareholders		2 101	(2 454)
Basic earnings per share	12	3 64p	(4 86p)
Diluted earnings per share	12	3 64p	(4 86p)

The notes on pages 38 to 69 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Note	2010 £000	2009 £000
Profit/(loss)for the year		2 101	(2 454)
Other comprehensive income/(expense)			
Revaluation of property plant and equipment	13	220	(768)
Deferred taxation on income and expenses recognised directly in equity		(62)	11
Effective portion of changes in fair value of cash flow hedges		(224)	156
Other comprehensive expense for the year, net of tax		(66)	(601)
Total comprehensive income/(expense) for the year attributable to equity shareholders		2 035	(3,055)

The notes on pages 38 to 69 are an integral part of these consolidated financial statements

Consolidated Balance Sheet

As at 31 March 2010

	Note	2010 £000	2009 £000
Non-current assets			
Property plant and equipment	13	**37,971**	35 946
Intangible assets	14	**472**	507
Investment property	15	**20,551**	20 833
Investment in associate	16	**93**	-
Other financial assets	17	**130**	130
		59,217	57 416
Current assets			
Inventories	20	**11,315**	10 390
Trade and other receivables	21	**2,580**	3 149
Cash and cash equivalents	22	**7**	6
Derivative financial instruments	18	**100**	1 360
Tax receivable		**-**	157
		14,002	15 062
Total assets		**73 219**	72 478
Current liabilities			
Bank overdraft	22	**14,549**	19 142
Other interest-bearing loans and borrowings	23	**431**	1 008
Trade and other payables	25	**5 009**	6 068
Deferred income	24	**3,733**	3 647
Deferred government grants	24	**39**	18
Derivative financial instruments	18	**168**	752
Provisions for other liabilities and charges	27	**46**	291
Tax payable		**427**	-
		24 402	30 926
Non-current liabilities			
Other interest-bearing loans and borrowings	23	**116**	468
Deferred government grants	24	**685**	297
Deferred tax liabilities	19	**4,704**	5 093
Derivative financial instruments	18	**-**	234
Provisions for other liabilities and charges	27	**179**	46
		5,684	6,138
Total liabilities		**30,086**	37 064
Net assets		**43 133**	35 414
Equity and reserves			
Share capital	28	**15,736**	12 640
Share premium		**12**	10
Other reserves		**13,482**	9 928
Retained earnings		**13,903**	12 836
Total equity		**43 133**	35 414

The notes on pages 38 to 69 are an integral part of these consolidated financial statements

The Financial Statements on pages 34 to 69 were approved by the Board of Directors on 25 May 2010 and were signed on its behalf by

Michael Knight
Chairman
Company number 2425189

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Share capital	Share premium	Revaluation reserve	Merger reserve	Hedging reserve	Retained earnings	Total equity
			---- Other reserves	----	----		
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2008	12,622	3	9 576	251	-	17 232	39 684
Comprehensive income							
Loss for the year	-	-	-	-	-	(2 454)	(2 454)
Other comprehensive income							
Revaluation of property plant and equipment	-	-	(768)	-	-	-	(768)
Deferred taxation on revaluation of property plant and equipment	-	-	11	-	-	-	11
Transfer from retained earnings to revaluation reserve	-	-	702	-	-	(702)	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(234)	-	(234)
Recycled to cost of sales	-	-	-	-	390	-	390
Total other comprehensive income/(expense)	-	-	(55)	-	156	(702)	(601)
Total comprehensive income/(expense)	-	-	(55)	-	156	(3 156)	(3 055)
Transactions with owners							
Proceeds from issue of shares net of costs*	18	7	-	-	-	-	25
Share-based payments – value of employee services	-	-	-	-	-	(28)	(28)
Dividends	-	-	-	-	-	(1 212)	(1 212)
Transactions with owners	18	7	-	-	-	(1 240)	(1 215)
Balance at 31 March 2009	12 640	10	9 521	251	156	12 836	35 414
Balance at 1 April 2009	12 640	10	9 521	251	156	12 836	35 414
Comprehensive income							
Profit for the year	-	-	-	-	-	2 101	2 101
Other comprehensive income							
Revaluation of property plant and equipment	-	-	220	-	-	-	220
Deferred taxation on revaluation of property plant and equipment	-	-	(62)	-	-	-	(62)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	165	-	165
Recycled to cost of sales	-	-	-	-	(389)	-	(389)
Total other comprehensive income/(expense)	-	-	158	-	(224)	-	(66)
Total comprehensive income/(expense)	-	-	158	-	(224)	2,101	2 035
Transaction with owners							
Proceeds from issue of shares net of costs*	3 096	2	-	3 620	-	-	6,718
Share-based payments – value of employee services	-	-	-	-	-	38	38
Dividends	-	-	-	-	-	(1 072)	(1 072)
Transaction with owners	3 096	2	-	3 620	-	(1 034)	5 684
Balance at 31 March 2010	**15 736**	**12**	**9,679**	**3,871**	**(68)**	**13,903**	**43,133**

* Costs include Brokers commission and legal fees of £336 000 (2009 £nil)

The aggregate deferred tax relating to items that are charged to equity is £(62 000) (2009 £11 000)

Further information in relation to the other reserves set out within the statement of changes in equity can be found in note 28

Consolidated Cash Flow Statement

For the year ended 31 March 2010

	Note	2010 £000	2009 £000
Cash flows from operating activities			
Profit/(loss) for the year		**2,101**	(2 454)
Adjustments for			
Taxation	10	**414**	(996)
Share of loss of joint venture		**-**	95
Financial income	9	**(11)**	(95)
Financial expense	9	**299**	962
Fair value adjustments on investment property	15	**539**	2,787
Realised gain on disposal of interest in joint venture company	16	**-**	(908)
Loss on remeasurement of derivative financial instruments to fair value		**-**	82
Loss/(gain) on ineffective portion of cash flow hedge		**217**	(217)
Depreciation and amortisation	13 14	**1 266**	1 019
Amortisation of grants	24	**(40)**	(19)
Loss on disposal of investment property	15	**-**	267
Loss on sale of property plant and equipment		**88**	10
Equity settled share-based payment expenses	26	**38**	(28)
Grants received	24	**449**	-
Cash generated from operations before changes in working capital and provisions		**5,360**	505
Increase in inventories		**(512)**	(4 672)
Decrease in trade and other receivables		**569**	801
Decrease in trade and other payables		**(1,067)**	(688)
Increase in deferred income		**86**	285
Decrease in provisions		**(112)**	(183)*
Cash generated from/(used in) operations		**4,324**	(3 952)
Tax (paid)/received		**(280)**	334
Cash generated from/(used in) operating activities		**4 044**	(3,618)
Cash flows from investing activities			
Proceeds from sale of investment property	15	**-**	8 700
Proceeds from sale of property plant and equipment		**-**	13
Expenditure on investment in associate		**(93)**	-
Expenditure on investment property	15	**(257)**	(6 357)
Expenditure on property plant and equipment	13	**(3,124)**	(1 716)
Interest received		**11**	95
Net proceeds from disposal of interest in joint venture		**-**	2 722
Equalisation receipt in relation to joint venture		**-**	111
Net cash (used in)/generated from investing activities		**(3,463)**	3 568
Cash flows from financing activities			
Proceeds from the issue of share capital		**7,054**	25
Issue costs relating to the issue of share capital		**(336)**	-
Proceeds from borrowings		**117**	4 857
Interest paid		**(705)**	(1 244)
Repayment of borrowings		**(1,045)**	(8 112)
Dividends paid	11	**(1,072)**	(1,212)
Net cash generated from/(used in) financing activities		**4,013**	(5 686)
Net increase/(decrease) in cash and cash equivalents		**4,594**	(5 736)
Cash and cash equivalents at beginning of the year		**(19,136)**	(13,400)
Cash and cash equivalents at end of the year	22	**(14,542)**	(19,136)

* Excluding movement on onerous lease provision in 2009 which is included within loss on disposal of investment property

The notes on pages 38 to 69 are an integral part of these consolidated financial statements

Notes to the Financial Statements

For the year ended 31 March 2010

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 is incorporated and domiciled in the UK and registered in England and Wales with number 2425189 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 Groups 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 adopted by the European Union and the Companies Act 2006 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 Procedures these are presented on pages 72 to 80

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

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

Going concern

The review of the Groups business activities is set out in the Chairmans Statement on pages 4 to 7 and the Chief Executives Report on pages 8 and 9 The financial position of the Group its cash flows and financing position are described in the Financial Review on pages 10 and 11 In addition note 3 to the financial statements gives details of the Groups financial risk management

As reported in the Chairmans Statement economic conditions continue to be challenging particularly for the transport division and the board has decided since the year end to dispose of the airline business, Air South West Limited Notwithstanding that the Group is implementing a plan to improve the results of Air Southwest the difficult trading conditions and recent impact of volcanic ash disruption together with the eventual result and timing of a sale of Air South West Limited create uncertainty The Group is reliant on bank finance in the form of revolving credit facilities which are due for renewal in November 2010 The renewal process has not yet been concluded An offer has been received from the Groups bankers which would be acceptable to the Group and is being considered The absence of committed facilities after November 2010 therefore constitutes an additional uncertainty The Groups forecasts and projections taking account of various reasonably possible sensitivities and scenarios (including the disposal of Air Southwest) show that the Group should be able to operate within the anticipated level of facilities Taking into account the uncertainties that exist and after considering the forecast results cash flow projections and bank covenant compliance the directors consider that 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

Carrying value of Air Southwest

Following the decision to dispose of Air Southwest the Group is currently in negotiations with interested parties Given the current status of the negotiations the ultimate outcome including the level of disposal proceeds is subject to significant uncertainty The directors have considered the carrying value of the net assets and liabilities related to the airline business and have concluded that based on current available evidence no impairment has occurred However this is ultimately dependent on the final outcome of the disposal process Accordingly no adjustment to the carrying amount of the net assets and liabilities of £3 8m relating to the airline business has been included in these financial statements

Changes in accounting policy and disclosures

IAS 1 (revised) Presentation of financial statements – effective 1 January 2009 The revised standard prohibits the presentation of items of income and expenses (being non-owner changes in equity) in the statement of changes in equity requiring non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income Comparative information has been re-presented so that it also is in conformity with the revised standard

IFRS 7 Financial Instruments – Disclosures (amended) – effective 1 January 2009 The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy

IFRS 8 Operating segments – effective 1 January 2009 IFRS 8 replaces IAS 14 Segment Reporting and aligns segment reporting with the requirements of the US standard SFAS 131 Disclosures about segments of an enterprise and related information The new standard requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes The segments are therefore reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker, which has been identified as the board of directors There have been no changes to segments on adoption of IFRS 8

Adoption of IAS1 (revised) IFRS7 (amended) and IFRS8 affect the presentation of the financial statements however there is no impact on results of the Group for either of the years ended 31 March 2009 or 31 March 2010

IFRS2 (amended) deals with vesting conditions and cancellations in relation to share-based payments It clarifies that vesting conditions are service conditions and performance conditions only Other features of a share-based payment are not vesting conditions These features would need to be included in the grant date fair value for transactions with employees and others providing similar services they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date All cancellations whether by the entity or by other parties should receive the same accounting treatment The Group and Company has adopted IFRS2 (amended) but it does not have a material impact on the Groups financial statements

IAS 23 Borrowing Costs requires the capitalisation of borrowing costs relating to qualifying assets The Groups existing policy is to capitalise borrowing costs directly attributable to the acquisition construction or production of the asset The adoption of IAS23 has therefore not had any impact on the Group as borrowing costs were already being capitalised

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

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

Basis of consolidation
The consolidated 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 Groups 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 Groups share of losses exceeds its interest in an associate the Groups 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 Groups 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

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 Groups 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

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, including capitalised interest 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 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

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

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

Derivative financial instruments and hedging activities
Derivative financial instruments comprising 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 the Statement of Changes in Equity The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months

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

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity The gain or loss relating to the ineffective portion is recognised immediately in the income statement within cost of sales for 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 Foreign exchange derivatives and fuel hedging derivatives are recognised within cost of sales and interest rate swaps within financing costs

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

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

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

Own shares
Ordinary 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

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 payable and interest receivable are 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

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

Notes to the Financial Statements

For the year ended 31 March 2010

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

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 Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors

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 2009 but are not currently relevant for the Group

- Amendments to IAS 32 Financial Instruments Presentation – no impact on current activities
- Amendments to IAS 39 Financial Instruments Recognition and measurement – no impact on current activities
- Further amendments to IFRIC 9 and IAS 39 Financial Instruments recognition and Measurement – no impact on current activities
- IFRIC 12 Service Concession Arrangements – not applicable to current activity
- 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
- Amendments to IFRS39 and IFRS7 on the reclassification of financial instruments – not applicable to current activity
- Amendment to IAS32 and IAS1 on puttable financial instruments – not applicable to current activity

The following new standards amendments to standards or interpretations have been issued but are not effective for the financial year beginning 1 April 2009 and have not been adopted early

- Amendments to IFRS 1 (revised) First-time Adoption – no impact as the Group has already adopted IFRS for the first time
- IFRS 3 (revised) Business Combinations – no impact on current activities
- Amendments to IAS 27 (revised) Consolidated and Separate Financial Statements – no impact on current activities
- Amendment to IFRIC 14 Prepayments of a minimum funding requirement – not applicable to current activity
- 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

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

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 furthei capital should it be required

The Gi oup 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 Gi oup structures borrowings into general facilities and secures specific financing for individual property projects as deemed appropriate

The geai ing ratio at the year end was as follows

	2010 £000	2009 £000
Overdraft and loans	(15,096)	(20 618)
Cash and cash equivalents	7	6
Net debt	(15 089)	(20 612)
Equity	43,133	35 414
Net debt to equity ratio	35 0%	58 2%

Bank borrowing facilities and financial covenants
The Group s core debt facilities are subject to covenant clauses, whereby the Gi oup 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 due to expire in November 2010 together with additional specific project finance facilities of £3 5 million The facilities were subject to improved covenant clauses which were tested quarterly and no breaches of covenant were identified during the year The Group has been offered new core debt facilities of £25 million for a twelve month period to June 2011 although these have not been entered into as at date of signing the financial statements

Based on the forecast results and cash requirements of the Group for a period extended beyond twelve months from the date of signing these financial statements the directors are of the opinion that the facilities in place and on offer are adequate and the r elevant covenant requirements will continue to 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 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 2010	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	(325)	(325)	-	-
Unsecured bank loans	(222)	(106)	(116)	-
Bank overdraft	(14,549)	(14,549)	-	-
Trade and other payables	(5,149)	(5,149)	-	-
Derivative financial instruments	(168)	(168)	-	-
	(20,413)	(20,297)	(116)	-

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)

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 2010	**Total £000**	**Less than 1 year £000**
Forward foreign exchange contracts – cash flow hedges		
- Outflow	**(1,576)**	**(1,576)**
- Inflow	**1 587**	**1,587**

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

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

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For the year ended 31 March 2010

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

	2010 £000	2009 £000
Trade receivables		
New customers (less than 6 months)	118	44
Existing customers (more than 6 months) with no defaults in the past	1,012	972
Existing customers (more than 6 months) with some defaults in the past	130	301*
Total trade receivables	1,260	1 317
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)	100	1 360
Total derivative financial instruments	100	1 360

* The majority of this balance was in relation to one specific project The balance has been fully recovered

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 99% 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 2010 it is estimated that a general increase of half a percentage point in interest rates ignoring hedging would have decreased the Group s profit before tax by approximately £90 000 (2009 £102 000) 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 increased the Group s profit before tax for the year ended 31 March 2010 by approximately £3 000 (2009 decreased by £30 000) Unhedged forward exchange contracts have been included in this calculation Net assets would have increased (2009 decreased) by the same amount

It is estimated that a 5% increase in the cost of fuel ignoring hedging would have decreased the Group s profit before tax for the year ended 31 March 2010 by approximately £195 000 (2009 £261 000) Net assets would have decreased by the same amount

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 2010 £000	Fair value 2010 £000	Carrying amount 2009 £000	Fair value 2009 £000
Financial assets				
Other financial assets	130	130	130	130
Cash and cash equivalents	7	7	6	6
Derivative financial instruments	100	100	1 360	1 360
Financial liabilities				
Bank overdraft	14 549	14,549	19 142	19 142
Derivative financial instruments	168	168	986	986
Secured bank loans	325	325	1 225	1 225
Unsecured bank loans	222	222	251	251

The fair value of the secured bank loans has 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

4 Accounting estimates and judgements

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

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

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

a) The valuation of investment property and property held for use in the business
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

b) 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

c) The level of provision required for aircraft maintenance overhauls
The Group bases it s estimates on the number of hours flown, the expected interval between services, the cost of prior overhauls and industry experience

d) 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

e) 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

f) 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

g) Determining the net realisable value of development property
The board has exercised judgement in determining the net realisable value of development property, taking into account expected costs to complete and sale proceeds and hence whether any write-down of development property is required

h) Impairments
The board exercises judgement in identifying cash-generating units and utilises assumptions which are often subject to uncertainty, in determining the recoverable amount of assets (or cash-generating units) to assess whether an asset (or cash-generating unit) is impaired

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For the year ended 31 March 2010

5 Segment results

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions

The board of directors considers the business from an operational perspective as the Group has only one geographical segment with all operations being carried out in the United Kingdom Details of the types of revenue generated by each segment are given in note 2

The board of directors assesses the performance of the operating segments using operating profit The segment information provided to the board of directors for the reportable segments for the year ended 31 March 2010 is as follows

	Marine Activities		Regeneration		Transport		Unallocated		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Total external segment revenue*	**4 235**	4 399	**11,901**	1 420	**23,138**	23 443	**-**	-	**39,274**	29 262
Operating profit/(loss) before fair value adjustments on investment property	**1 430**	1 263	**7,279**	407	**(3,945)**	(851)	**(1,422)**	(1 428)	**3,342**	(609)
Fair value adjustments on investment property	**-**	-	**(539)**	(2 787)	**-**	-	**-**	-	**(539)**	(2 787)
Operating profit/(loss) after fair value adjustments on investment property	**1,430**	1 263	**6,740**	(2 380)	**(3,945)**	(851)	**(1,422)**	(1 428)	**2,803**	(3,396)
Financial income									**11**	95
Financial expense									**(299)**	(962)
Realised gain on disposal of interest in joint venture company									**-**	908
Share of loss of joint venture									**-**	(95)
Profit/(loss) before tax for the year									**2,515**	(3,450)
Assets and liabilities										
Segment assets	**22,221**	21,484	**32,872**	32 430	**17,232**	17 687	**801**	720	**73,126**	72 321
Investment in equity accounted associate									**93**	-
Tax assets									**-**	157
Total assets									**73,219**	72 478
Segment liabilities	**1,502**	1 480	**1,073**	2 517	**6,883**	8 408	**15,497**	19 566	**24,955**	31 971
Tax liabilities									**5,131**	5 093
Total liabilities									**30 086**	37 064

	Marine Activities		Regeneration		Transport		Unallocated		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Other segment information										
Capital expenditure including capitalised interest										
Property plant and equipment	**325**	547	**2**	6	**2,732**	1 094	**65**	69	**3,124**	1 716
Investment property	**-**	-	**257**	6 532	**-**	-	**-**	-	**257**	6 532
Depreciation	**28**	31	**4**	5	**1,124**	863	**75**	86	**1,231**	985
Amortisation	**-**	-	**-**	-	**35**	34	**-**	-	**35**	34
Provisions – charge to the income statement	**-**	-	**46**	291	**179**	110	**-**	-	**225**	401

* There is no inter-segment revenue

Unallocated assets include various property plant and equipment (£304 000) prepayments (£166 000) trade receivables (£215 000) and other receivables (£116 000) that cannot be split between the various business segments because the revenue that the assets generate cannot be matched specifically to one individual segment

Unallocated liabilities include the bank overdraft and loans (£15,096 000) various accruals (£129,000) trade payables (£104,000) and other payables (£168,000) that cannot be split between the various business segments because the revenue that the liabilities are used to generate cannot be matched specifically to one individual segment

Unallocated expenses include central administi ative costs that cannot be split between the various business segments because they aie incurred in assisting the Group generate revenues aci oss all business segments

Revenue can be divided into the following categories

	2010 £000	2009 £000
Sale of goods	**2,947**	3 405
Sale of land and property	**10,410**	-
Rental income	**1,633**	1,771
Provision of services	**4,430**	4 069
Airline ticket sales	**19,854**	20 017
	39,274	29,262

Revenues of approximately £10 286 000 are derived from two external customers each individually representing more than 10% of the Group s ι evenue for the year In 2009 there were no such customers The revenues are attributable to sales of land and property within the Regeneration segment

6 Group operating profit/(loss)

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

	2010 £000	2009 £000
Additions to provisions (note 27)	**225**	401
Rental income from investment property	**(1,585)**	(1 771)
Loss on sale of property plant and equipment	**88**	10
Direct operating expenses of investment property that generated rental income (including repairs & maintenance)	**307**	173
Loss on remeasurement of investment property to fair value (note 15)	**539**	2 787
Depreciation of property plant and equipment (note 13)	**1,231**	985
Amortisation of intangible assets (note 14)	**35**	34
Foreign exchange (gain)/loss	**(128)**	17
Operating lease payments (note 29)	**885**	713
Other operating income		
Release of deferred grant (note 24)	**(40)**	(19)
Compensation received	**(250)**	-

7 Services provided by the Company's auditor

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

Current auditors	2010 £000	2009 £000
Fees payable to Company s auditor for the audit of Parent Company and consolidated financial statements	**23**	10
Fees payable to the Company s auditor for other services		
The audit of Company s subsidiaries pursuant to legislation	**42**	40
Tax services	**31**	20

Predecessor auditors	2010 £000	2009 £000
Fees payable to Company s auditor for the audit of Parent Company and consolidated financial statements	**-**	18
Fees payable to the Company s auditor for other services		
The audit of Company s subsidiaries pursuant to legislation	**-**	-
Tax services	**-**	61
Other services	**-**	6

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 2010	2009
Marine Activities	**21**	21
Property and Regeneration	**8**	9
Transport	**180**	171
Administration	**18**	17
	227	218

The aggregate payroll costs of these persons were as follows	2010 £000	2009 £000
Wages and salaries	**6,571**	6 318
Share based payments (See note 26)	**38**	(28)
Social security costs	**638**	628
Other pension costs	**357**	367
	7,604	7285

The total remuneration of the directors of the Company was as follows

	2010 £000	2009 £000
Fees	**140**	123
Other Emoluments	**346**	372
Pension Contributions	**34**	33
	520	528

Further details of directors remuneration are given in the Remuneration Report on pages 28 to 30

9 Financial income and financial expense

	2010 £000	2009 £000
Interest receivable on loan to joint venture	**-**	30
Other interest receivable	**11**	65
Financial income	**11**	95
Bank overdraft and bank borrowings interest payable	**299**	962
Financial expense	**299**	962

Borrowing costs capitalised in the year amounted to £422,000 (2009 £229 000) The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation were between 1% above bank base rate and 3 5% above LIBOR (2009 0 9% and 1 5%)

10 Taxation

	2010 £000	2009 £000
Current tax		
Current tax on profits for the year	596	112
Adjustments in respect of previous years	269	(124)
Total current tax	865	(12)
Deferred tax		
Origination and reversal of temporary differences (note 19)	(451)	(984)
Total deferred tax	(451)	(984)
Total tax in income statement	414	(996)

Reconciliation of effective tax rate	2010 £000	2009 £000
Profit/(loss) before tax	2 515	(3 450)
Tax using the UK corporation tax rate of 28% (2009 28%)	704	(966)
Expenses not deductible for tax purposes	35	155
Capital losses utilised	(165)	-
Adjustments to tax charge in respect of previous years	(160)	(185)
Total tax in income statement	414	(996)

11 Dividends paid on equity shares

The following dividends were declared and paid by the Group

	2010 £000	2009 £000
Ordinary shares		
Final dividend paid in respect of year ended 31 March 2009 but not recognised as a liability in that year 1 0p per share (2009 Final dividend paid in respect of year ended 31 March 2008 but not recognised as a liability in that year 1 5p per share)	506	757
Interim dividend paid in respect of the year ended 31 March 2010 0 9p per share (2009 Interim dividend in respect of the year ended 31 March 2009 0 9p per share)	566	455
Aggregate of dividends paid in the year	1,072	1 212

The board of directors proposes a final dividend on profit for the year ended 31 March 2010 of 1 0p per share (£629 000) which together with the interim dividend of 0 9p per share (£566,000) gives a total dividend for the year of 1 9p per share (£1 195 000) 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 2010

12 Earnings per share

	2010 pence	2009 pence
Basic earnings per share	**3 64p**	(4 86)p
Diluted earnings per share*	**3 64p**	(4 86)p

Basic earnings per share

Basic earnings per share have been calculated using the profit for the year of £2 101 000 (2009 loss of £2 454 000) and the 57 657 501 (2009 50 510 732) 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 57 657 501 (2009 50 510 732) 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 nil (2009 9 696), is calculated as follows

	2010	2009
Weighted average number of shares at 31 March	**57,657,501**	50 510 732
Effect of share options in issue	**-**	9 696
Weighted average number of ordinary shares (diluted) at 31 March	**57,657,501**	50 520 428

*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

For the year ended 31 March 2010 there is no adjustment for the effect of all dilutive potential ordinary shares because the exercise prices of the options are greater than the average market price of the shares during the year

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 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
Balance at 1 April 2009	21 951	5 251	3 585	8,672	90	39 549
Additions	312	11	911	1 890	-	3 124
Revaluations	466	(246)	-	-	-	220
Disposals	-	-	(89)	(504)	-	(593)
Balance at 31 March 2010	**22,729**	**5 016**	**4 407**	**10,058**	**90**	**42,300**
Accumulated depreciation						
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
Balance at 1 April 2009	-	51	2 011	1 541	-	3 603
Depreciation charge for the year	-	15	330	886	-	1 231
Disposals	-	-	(1)	(504)	-	(505)
Balance at 31 March 2010	**-**	**66**	**2,340**	**1,923**	**-**	**4 329**
Net book value						
At 1 April 2008	20 240	4,950	1 771	6 802	90	33 853
At 31 March 2009	21,951	5,200	1,574	7 131	90	35 946
At 31 March 2010	**22,729**	**4,950**	**2,067**	**8,135**	**90**	**37,971**

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 2010 in accordance with the Practice Statements in the Valuations Standards (The Red Book) published by the Royal Institution of Chartered Surveyors on a market-based evidence approach Specialised properties have no market-based value because of their specialised nature therefore an income-based approach is used instead

As at 31 March 2010 specialised properties had a net book value of £26 675 000 (2009 £26 155 000) Non-specialised properties had a net book value of £1 004 000 (2009 £996 000)

At 31 March 2010 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 £18 821 000 (2009 £18 513 000)

At 31 March 2010 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 £4 087 000 (2009 £4 077 000)

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

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 7million (2009 £27 2million) have been pledged to secure borrowings of the Group (see note 22)

Aircraft with a carrying amount of £8 1million (2009 £7 1million) have been pledged to secure borrowings to purchase the aircraft (see note 23)

14 Intangible assets

	Landing rights £000	Licences £000	Total £000
Cost			
Balance at 1 April 2008 and 31 March 2009	600	95	695
Balance at 1 April 2009 and 31 March 2010	**600**	**95**	**695**
Accumulated amortisation			
Balance at 1 April 2008	132	22	154
Amortisation charge for the year	29	5	34
Balance at 31 March 2009	161	27	188
Balance at 1 April 2009	161	27	188
Amortisation charge for the year	30	5	35
Balance at 31 March 2010	**191**	**32**	**223**
Net book value			
At 1 April 2008	468	73	541
At 31 March 2009	439	68	507
At 31 March 2010	**409**	**63**	**472**

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

	2010 £000	2009 £000
Cost of sales	35	34

Landing Rights and Licences are amortised over their estimated useful economic life of 20 years As at 31 March 2010 the remaining amortisation period for the Landing Rights is 13 years and 7 months and for the Licences between 13 years and 6 months and 13 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

15 Investment property

At fair value	2010 £000	2009 £000
Balance at the beginning of the year	**20,833**	28 131
Additions – arising from capitalised subsequent expenditure	**257**	6 357
Capitalised interest	-	175
Transfer to property plant and equipment	-	(2 139)
Disposal of investment property (see below)	-	(8 665)
Transfer to inventories	-	(239)
Fair value adjustments	**(539)**	(2 787)
Balance at the end of the year	**20,551**	20 833

Investment property is measured using the fair value model as set out in note 2 The fair value of the Groups investment property at 31 March 2010 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 is a member of the Royal Institution of Chartered Surveyors and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations The valuations which are supported by market evidence are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation

All of the Groups investment property is held under freehold interests with the exception of four properties which are held under long leaseholds

The fair values of specialised and non-specialised properties were £9 416 000 (2009 £9 560 000) and £11 135 000 (2009 £11 273 000) respectively as at 31 March 2010

Disposal of investment property in prior year

An investment property was sold on 11 March 2009 for proceeds of £8 7million and the development loan (as described in note 23) 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 the fair value adjustments on investment property for the year ended 31 March 2009

16 Investments

The Group has the following investments in subsidiaries and associates

	Class of shares held	Ownership 2010	Ownership 2009	Nature of Business
Subsidiaries				
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
Associates				
Express Lift Investments Limited	Ordinary	**40%***	-	Associate Holding Company
Elift Cumbria Limited	Ordinary	**24%***	-	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

The year end dates of the above companies are the same as the parent.

*During the year Sutton Harbour Holdings plc purchased 40% of the share capital in Express Lift Investments Limited, which in turn has a 60% holding in Elift Cumbria Limited This results in Sutton Harbour Holdings plc having an effective shareholding in Elift Cumbria Limited of 24% The Group has neither control nor joint control over either company however it is considered to have significant influence and therefore the investments in Express Lift Investments Limited and Elift Cumbria Limited will be treated as associates in accordance with IAS 28 Investments in Associates For the period to 31 March 2010 neither company had commenced trading however the Group s share of net assets of £93 000 has been recognised in the financial statements

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 had retained its 50% shareholding in JV UK Company Limited it no longer had 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 gains and losses relevant to this disposal were realised in the prior year The shares were disposed of in the current year but no consideration was received as they had no rights attached to them

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**

17 Other financial assets

	2010 £000	2009 £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 (2009 £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**	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Current				
Forward foreign exchange contracts – cash flow hedges	**11**	1 360	**-**	-
Cash-settled fuel commodity swaps – cash flow hedges	**89**	-	**-**	(752)
Interest rate swaps – cash flow hedges	**-**	-	**(168)**	-
Total current derivative financial instruments	**100**	1 360	**(168)**	(752)

	Assets		**Liabilities**	
	2010 £000	2009 £000	**2010 £000**	2009 £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

The fair value of hedges as at 31 March 2010 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 £11 000 contract for US$2 395million at fixed rates between £/$1 5183 and £/$1 5209 deliverable on a range of dates between 19 April 2010 and 20 September 2010

Hedges of future jet fuel purchases by cash-settled fuel commodity swap contracts hedging future fuel price risk
Fair value of financial asset of £89 000 contract for 3 300 metric tonnes each at US$685 25 based on the average commodity price ruling on a range of dates between 1 April 2010 and 30 September 2010

Hedges of interest payments by interest rate swaps hedging future interest rate risk
Fair value of financial liability of £101 000 contract for £9million at 1 88% based on the GBP LIBOR rate ruling each month between 30 January 2009 and 31 January 2011 Fair value of financial liability of £67 000 contract for £6million at 1 88% based on the GBP LIBOR rate ruling each month between 31 January 2009 and 31 January 2011

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 US$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 US$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 US$792 based on the average commodity 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 88% 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 88% based on the GBP LIBOR rate ruling each month between 31 January 2009 and 31 January 2011

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For the year ended 31 March 2010

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	
	2010	2009	**2010**	2009	**2010**	2009
	£000	£000	**£000**	£000	**£000**	£000
Property plant and equipment	**-**	-	**(3,489)**	(3 751)	**(3,489)**	(3 751)
Investment property	**387**	387	**(1,665)**	(1 819)	**(1,278)**	(1 432)
Employee benefits	**22**	22	**-**	-	**22**	22
Deferred government grants	**3**	4	**-**	-	**3**	4
Other	**38**	64	**-**	-	**38**	64
Tax assets / (liabilities)	**450**	477	**(5 154)**	(5 570)	**(4,704)**	(5 093)

Movement in deferred tax during the year

	1 April 2009 £000	Recognised in income £000	Recognised in equity £000	31 March 2010 £000
Property plant and equipment	(3 751)	324	(62)	**(3,489)**
Investment property	(1 432)	154	-	**(1 278)**
Employee benefits	22	-	-	**22**
Deferred government grants	4	(1)	-	**3**
Other	64	(26)	-	**38**
	(5 093)	451	(62)	**(4,704)**

	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)

Deferred tax assets of £1 396 000 (2009 £1 396 000) 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

20 Inventories

	2010 £000	2009 £000
Stores and materials	**512**	451
Goods for resale	**64**	97
Development property	**10,739**	9,842
	11,315	10,390

Included within inventories is £9 017,000 (2009 £8,417 000) expected to be recovered in more than 12 months

Inventories to the value of £7 052 000 were recognised as an expense in the year (2009 £3 899 000)

Interest capitalised during the year in relation to development property was £422 000 (2009 £54 000)

21 Trade and other receivables

	2010 £000	2009 £000
Trade receivables	1,289	1 410
Provision for impairment of trade receivables	(29)	(93)
	1,260	1 317
Other receivables	230	236
Prepayments and accrued income	1 090	1 596
	2,580	3 149

Included within trade and other receivables is £225 000 (2009 £273 000) 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

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

	2010 £000	2009 £000
At the beginning of the year	93	114
Provision for receivables impairment	5	41
Receivables written off during the year as uncollectable	(48)	(59)
Unused amounts reversed	(21)	(3)
At the end of the year	29	93

The ageing of trade receivables that have not been provided for are	2010 £000	2009 £000
Not yet due		
0 – 29 days	670	468
Overdue		
30 – 59 days	451	486
60 – 89 days	2	59
90 – 119 days	26	70
120 + days	111*	234
	1,260	1 317

As at 31 March 2010 trade receivables of £590 000 (2009 £849 000) 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 Dollar balances totalling £nil (2009 £7 000) and Euro balances totalling £11 000 (2009 £6 000) These balances were converted into sterling using the spot rate as at 31 March

* Of this balance £44 000 relates to one customer and the full balance has been recovered since the year end The directors are confident of full recovery of the remaining amount

22 Cash and cash equivalents and bank overdraft

	2010 £000	2009 £000
Cash and cash equivalents per balance sheet	7	6
Bank overdraft	(14,549)	(19 142)
Cash and cash equivalents per cash flow statement	(14 542)	(19 136)

Analysis by currency	2010 £000	2009 £000
Sterling	(14,655)	(19 230)
US Dollars	61	96
Euro	52	(2)
	(14,542)	(19 136)

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 2010 the Group had an agreed bank overdraft facility of £25 0million (2009 £25 0million) The overdraft facility is divided into three facilities with interest being charged on the utilised facility at the following rates

£9m facility	3 25% over LIBOR (2009 1% over LIBOR)
£11m facility	3 5% over LIBOR (2009 1 25% over LIBOR)
£5m facility	3 75% over LIBOR (2009 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

The facilities are due to be renewed in November 2010 As stated in note 34 the Group has received an offer for renewed facilities since the year end

Undrawn overdraft facilities	2010 £000	2009 £000
Expiring within one year	10,139	5 459
	10,139	5 459

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

	2010 £000	2009 £000
Non-current liabilities		
Secured bank loans	-	325
Unsecured bank loans	116	143
	116	468
Current liabilities		
Secured bank loans	325	900
Unsecured bank loans	106	108
	431	1,008

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 dates of the loans are February 2011 and April 2010 respectively The loans are secured on three of the Group s Dash 8 aircraft

Development loan as at 31 March 2009
The development loan was in sterling and was repaid by 1 November 2009 The loan was drawn down in tranches as the development progressed Interest was charged on the loan at 1 5% plus LIBOR The following security was 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

Undrawn committed borrowing facilities

	2010 £000	2009 £000
Expiring within one year	-	3 072
	-	3 072

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, advance rental income and advance marina fees

Deferred government grants relates to a grant received in relation to the Airport runway and lighting surrounding the runway The grant is being held as deferred income and released to the income statement over the estimated useful life of the runway and lighting The deferred portion of the grant is split between current and non-current deferred income In the event of closure of the airport there are certain conditions over repayment of the government grant

	Deferred income		Deferred government grants	
	2010 £000	2009 £000	2010 £000	2009 £000
At the beginning of the year	3,647	3 362	315	334
Released to the income statement	(3,647)	(3 362)	(40)	(19)
Amounts received and deferred	3,733	3 647	449	-
At the end of the year	3,733	3 647	724	315
Current	3,733	3 647	39	18
Non current	-	-	685	297
	3,733	3 647	724	315

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For the year ended 31 March 2010

25 Trade and other payables

	2010 £000	2009 £000
Trade payables	2,921	3 317
Other trade payables	73	754
Other taxation and social security costs	988	780
Accruals	1,027	1 217
	5,009	6 068

Included within trade and other payables is £nil (2009 £nil) expected to be settled in more than 12 months

Included within trade payables are US Dollar balances totalling £183 000 (2009 £86 000) and Euro balances totalling £115,000 (2009 £177000) 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 £357 000 (2009 £367,000) There were no amounts outstanding or prepaid at the year end (2009 £nil)

Share-based payments

Sutton Harbour Holdings plc operates two 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 2010	Grant date	Exercise price	Vesting period	Date from which exercisable	Expiry date
2005 SAYE share option scheme – 5 year plan	201,880	20 Dec 2005	92 5p	5 years	1 Feb 2011	31 Jul 2011
2005 SAYE share option scheme – 7 year plan	27 722	20 Dec 2005	92 5p	7 years	1 Feb 2013	31 Jul 2013
2008 SAYE share option scheme – 3 year plan	115 898	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 2010	Number of options 2010	Weighted average exercise price 2009	Number of options 2009
Outstanding at the beginning of the financial year	84 1p	656,464	82 7p	1 164 643
Cancelled during the year	87 9p	(60 444)	88 5p	(436,847)
Exercised during the year	34 0p	(21,616)	34 0p	(71 332)
Granted during the year	N/A	-	N/A	-
Outstanding at the end of the year	85 6p	574,404	84 1p	656 464
Exercisable at the end of the year	N/A	-	34 0p	22 626

The weighted average share price at the date of exercise of share options exercised during the period was 57 5p (2009 45 0p)

The options outstanding at the year end have an exercise price in the range of 81p to 92 5p and a weighted average remaining contractual life of 2 37 years (2009 3 18 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

	2010 £000	2009 £000
Equity settled share-based payments	**38**	(28)

27 Provisions for other liabilities and charges

	Maintenance on leased aircraft		**Vacant property provision**		**Total provision**	
	2010 £000	2009 £000	**2010 £000**	2009 £000	**2010 £000**	2009 £000
Balance at the beginning of the year	**46**	229	**291**	-	**337**	229
Provisions made during the year	**179**	110	**46**	291	**225**	401
Provisions used during the year	**(46)**	(293)	**(291)**	-	**(337)**	(293)
Balance at the end of the year	**179**	46	**46**	291	**225**	337
Non-current	**179**	46	**-**	-	**179**	46
Current	**-**	-	**46**	291	**46**	291
	179	46	**46**	291	**225**	337

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 is 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 has 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 This provision is expected to be fully utilised within the next year

28 Capital and reserves

In thousands of shares	Ordinary Shares 2010	2009
In issue at the beginning of the financial year	**50,561**	50 489
Issued for cash	**12,383**	72
In issue at the end of the financial year – fully paid	**62,944**	50 561

	2010 £000	2009 £000
Authorised		
100 000 000 (2009 100 000 000) Ordinary shares of 25p each	**25,000**	25 000
Allotted called up and fully paid		
62 943 752 (2009 50 560 732) Ordinary shares of 25p each	**15,736**	12 640
Shares classified in shareholders funds	**15 736**	12 640

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

21 616 Ordinary shares of 25p each were issued on 22 May 2009 as employees exercised share options under the Companys Save As You Earn Share Option Scheme The Company received £7 349 in consideration for the 21,616 share options exercised

On 4 September 2009 12 361 404 ordinary shares were issued and placed at a price of 57p per share The net proceeds after issue costs were £6 7m The placing utilised a cash box structure whereby the cash box entity issued redeemable preference shares in consideration for the receipt of the cash proceeds (net of issue costs) arising from the placing. The Companys ordinary shares were issued as consideration for the transfer to it of the shares in the cash box entity which it did not already own As a result, in the opinion of the directors the placing qualified for merger relief under section 612 of Companies Act 2006 so that the £3 6m excess of the value of the acquired shares in the cash box entity over the nominal value of the ordinary shares issued by the Company was credited to the Companys merger reserve

The aggregate nominal value of all shares issued during the year is £3,096 000

Other reserves

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 It was further increased when a cash box placing of shares occurred on 4 September 2009 creating an additional £3 6m (see above)

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

	2010 £000	2009 £000
Less than one year	737	1 115
Between one and five years	504	1 248
	1,241	2 363

The Group leases two Dash 8 aircraft under operating leases which expire in 2010 Lease commitments for these aircraft are in US Dollars and were translated into £ Sterling at the exchange rate in force on 31 March 2010 Other operating leases relate to leased motor vehicles and property which have terms not exceeding five years

During the year £885 000 was recognised as an expense in the income statement in respect of operating leases (2009 £713 000)

Included within operating lease rentals is an amount due in relation to the lease of part of a property which is in the process of being sublet Income will therefore be generated to offset some of these lease rental amounts An onerous lease provision has been made for the overall loss that is expected to be made on the rental of these premises (see note 27)

Leases as lessor
The Group leases certain properties under operating leases (see notes 13 and15) The future minimum lease rentals receivable under non-cancellable leases are as follows

	2010 £000	2009 £000
Investment property		
Less than one year	694	745
Between one and five years	2,700	2 723
More than five years	23,266	23 886
	26,660	27354
Owner-occupied properties		
Less than one year	66	370
Between one and five years	20	84
More than five years	58	59
	144	513

Total contingent rents recognised in the year were £98 000 (2009 £98 000) Contingent rents are determined by reference to specific clauses within the leases

During the year ended 31 March 2010 £1 585 000 (2009 £1 771 000) was recognised as rental income in the income statement Repair and maintenance expense recognised in cost of sales for the year to 31 March 2010 was £126,000 (2009 £116 000)

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

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

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

Notes to the Financial Statements
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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 2010 the Group is committed to pay a retention of £123 000 in relation to this contract (2009 £123 000) An equivalent retention is receivable from the purchaser

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 2010 is committed to pay a retention of £86,000 in relation to enabling works on site (2009 £86 000)

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 2010 the Group is committed to pay a retention of £41 000 in relation to this contract (2009 further costs of £55 000)

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 2010 the Group is committed to pay a retention of £10 000 in relation to this development (2009 further costs of £322 000)

On 31 March 2008 the Group entered into an agreement with Plymouth City Council in respect of development at Plymouth City Airport Since planning consent was achieved in April 2009 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 The cost is estimated to be in the region of £4 3 million

31 Contingencies

The Group has given guarantees and placed a bond in favour of an aircraft leasing company to the sum of £130 000 (2009 £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

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

In the year to 31 March 2009 Sutton Harbour Holdings plc earned £30,000 of interest on the loan to the joint venture company The loan was fully repaid in the year to 31 March 2009 and therefore no such interest was earned in the current year

Transactions with key management personnel

Executive directors of the Company and their immediate relatives control 0 40% of the voting shares of the Company

The compensation of key management personnel is as follows

	2010 £000	2009 £000
Short term employee benefits including social security costs and taxable benefits	390	414
Company contributions to money purchase pension schemes	34	33
	424	447

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 2009	Number of options granted during the year	Number of options lapsed during the year	Number of options cancelled during the year	At 31 March 2010	Exercise Price	Date from which exercisable	Expiry date
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 charge of £1 622 (2009 credit of £49)

Mr D McCauley/Rotolok (Holdings) Limited (Rotolok) is the Group s largest shareholder holding 25 45% of the issued share capital of Sutton Harbour Holdings plc and also has representation on the board of directors by virtue of Sean Swales the finance director of Rotolok (Holdings) Limited having been appointed as a non-executive director on 1 December 2009 As a consequence Rotolok is considered to have significant influence over the Group as defined in IAS 24 Related party transaction and hence transactions with Rotolok are required to be disclosed

As set out in note 28 on 4 September 2009 12 361,404 ordinary shares were issued and placed at a price of 57p per share Rotolok participated in the placing on the same terms as other investors, purchasing 877 193 shares at the issue price of 57p per share

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 72 to 80 of this document

34 Subsequent events

In April 2010, the Group achieved planning consent (subject to S106 agreement) for the construction of 62 residential apartments with ground floor commercial units

In May 2010 heads of terms were agreed with a serviced office provider to sublet the two floors of Salt Quay House that the Group currently leases

Since the year end the Group has been offered renewed £25 million banking facilities for a twelve month period with effect from June 2010 with interest rates based on LIBOR

Since the year end the board has decided to dispose of the airline business Air Southwest The Group is currently in negotiation with interested parties

Historical Financial Information

For the years ended 31 March

	2010 £000 (IFRS)	2009 £000 (IFRS)	2008 £000 (IFRS)	2007 £000 (IFRS)	2006 £000 As restated (UK GAAP)
Net Assets	**43,133**	35 414	39 684	35,293	*†37 176
Revenue	**39,274**	29 262	29 237	29 259	*26,618
Operating profit/(loss) before fair value adjustments on investment property	**3 342**	(609)	2,232	1 949	*#2 996
Fair value adjustments on investment property	**(539)**	(2 787)	2 828	2 200	N/A
Operating profit/(loss) after fair value adjustments on investment property	**2,803**	(3 396)	5,060	4,149	*#2 996
Net financing costs (excludes joint ventures/associates)	**(288)**	(867)	(584)	(846)	(176)
Profit/(loss) before tax	**2,515**	(3 450)	5 457	3,289	*#2 820
Profit/(loss) attributable to equity shareholders	**2 101**	(2 454)	4 573	2 502	*#1 967
Dividends paid	**1 072**	1 212	1 098	950	†852
Basic earnings per share	**3 64p**	(4 86)p	9 10p	Δ5 13p	Δ*#4 04p
Diluted earnings per share	**3 64p**	(4 86)p	8 94p	Δ5 02p	Δ*#4 00p
Dividends paid and proposed per ordinary share (adjusted for changes in issued share capital)	**1 9p**	1 9p	2 4p	Δ2 03p	Δ1 9p

* 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 2010

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 2010 which comprise the Company Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors Responsibilities Statement set out on page 32, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors

This report including the opinions, has been prepared for and only for the Company s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not in giving these opinions 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Parent Company s circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the Parent Company financial statements

- give a true and fair view of the state of the Company s affairs as at 31 March 2010
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Amounts owed by Air South West Limited

Without qualifying our opinion we draw attention to Note a to the financial statements Following the decision to dispose of Air Southwest the Company is currently in negotiations with interested parties Given the current status of the negotiations, the ultimate outcome including the level of disposal proceeds is subject to significant uncertainty The directors have considered whether the amounts owed by its subsidiary undertaking Air South West Limited of £4m are recoverable and have concluded that based on current available evidence no provision is necessary However, this is ultimately dependent on the final outcome of the disposal process Accordingly no adjustment to the carrying amount of the amounts owed by Air South West Limited has been included in these financial statements

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of Sutton Harbour Holdings plc for the year ended 31 March 2010 That report is modified by the inclusion of an emphasis of matter

Colin Bates (Senior Statutory Auditor)
for and behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
26 May 2010

Company Balance Sheet

As at 31 March 2010

	Note	2010 £000	2009 £000
Fixed assets			
Investments	e	**4,884**	4 753
		4,884	4 753
Current assets			
Debtors	f	**22 638**	20 322
Cash at bank and in hand		**16**	11
		22,654	20 333
Current liabilities			
Creditors amounts falling due within one year	g	**(7,020)**	(11,068)
Net current assets		**15,634**	9 265
Total assets less current liabilities		**20,518**	14 018
Creditors amounts falling due after more than one year	h	**-**	(94)
Net assets		**20 518**	13 924
Capital and reserves			
Called up share capital	i	**15,736**	12 640
Share premium account	j	**12**	10
Share-based payment reserve	j	**151**	113
Hedging reserve	j	**(67)**	(94)
Merger reserve	j	**3,620**	-
Profit and loss account	j	**1 066**	1 255
Total shareholders' funds	k	**20 518**	13 924

The notes on pages 73 to 80 are an integral part of these financial statements

The Financial Statements were approved by the Board of Directors on 25 May 2010 and were signed on its behalf by

Michael A. Knight
Chairman
Company number 2425189

Notes to the Company Financial Statements

For the year ended 31 March 2010

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 financial instruments in accordance with the Companies Act 2006 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 These financial statements contain information about the Company as an entity only The consolidated financial statements of the Group are presented separately on pages 34 to 69 of this document

Amounts owed by Air South West Limited

Following the decision to dispose of Air Southwest the Company is currently in negotiations with interested parties Given the current status of the negotiations the ultimate outcome including the level of disposal proceeds is subject to significant uncertainty The directors have considered whether the amounts owed by its subsidiary undertaking Air South West Limited of £4m are recoverable and have concluded that based on current available evidence no provision is necessary However this is ultimately dependent on the final outcome of the disposal process Accordingly no adjustment to the carrying amount of the amounts owed by Air South West Limited has been included in these financial statements

Taxation

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

Deferred taxation 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 taxation 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 S408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone The profit for the year for the Company alone is given in note k

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

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

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

Notes to the Company Financial Statements

For the year ended 31 March 2010

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

Derivative financial instruments and hedging activities

Derivative financial instruments comprising interest rate swaps are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at 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 Company 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 Company 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 derivative instruments used for hedging purposes are disclosed in notes g and h Movements on the hedging reserve in shareholders equity are shown in note j The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months

The fair value is calculated by reference to 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 financing costs Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss

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

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

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

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

b) Services provided by the Company's auditors

During the year the Company obtained the following services from the Companys auditors

Current auditors	2010 £000	2009 £000
Fees payable to Companys auditor for the audit of Parent Company financial statements	3	3
Fees payable to the Companys auditor for other services		
Tax services	3	3

For further details on other services provided by the Company s auditors see note 7 to the main Group consolidated accounts

c) Employees and Directors

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.

d) Dividends

The following dividends were declared and paid by the Company

	2010 £000	2009 £000
Ordinary shares		
Final dividend paid in respect of year ended 31 March 2009 but not recognised as a liability in that year 1 0p per share (2009 Final dividend paid in respect of year ended 31 March 2008 but not recognised as a liability in that year 1 5p per share)	506	757
Interim dividend paid in respect of the year ended 31 March 2010 0 9p per share (2009 Interim dividend in respect of the year ended 31 March 2009 0 9p per share)	566	455
Aggregate of dividends paid in the year	**1,072**	1 212

The board of directors proposes a final dividend on profit for the year ended 31 March 2010 of 1p per share (£629 000) which together with the interim dividend of 0 9p per share (£566 000) gives a total dividend for the year of 1 9p per share (£1,195 000) 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

e) Investments

	Investment in associates £000	Investment in subsidiary undertakings £000	Total £000
Cost and net book value			
As at 1 April 2009	-	4 753	4 753
Additions	93	-	93
Share-based payments to employees of subsidiary undertakings	-	38	38
As at 31 March 2010	**93**	**4,791**	**4 884**

Notes to the Company Financial Statements

For the year ended 31 March 2010

Subsidiary and associate companies

At 31 March 2010 the Company has the following investments in subsidiaries and associates

	Class of shares held	Ownership 2010	2009	Nature of Business
Subsidiaries				
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
Associates				
Express Lift Investments Limited	Ordinary	**40%***	-	Associate Holding Company
Elift Cumbria Limited	Ordinary	**24%***	-	Health Care Premises

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

* During the year Sutton Harbour Holdings plc purchased 40% of the share capital in Express Lift Investments Limited, which in turn has a 60% holding in ELift Cumbria Limited This results in Sutton Harbour Holdings plc having an effective shareholding in ELift Cumbria Limited of 24% The Group has neither control nor joint control over either company however it is considered to have significant influence and therefore the investments in Express Lift Investments Limited and ELift Cumbria Limited will be treated as associates in accordance with IAS 28 Investments in Associates

For the period to 31 March 2010 neither company had commenced trading

On 30 September 2008 the Company disposed of its 50% holding in JV UK Company Limited Although the Company had retained its 50% shareholding in JV UK Company Limited it no longer had 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 gains and losses relevant to this disposal were realised in the prior year The shares were disposed of in the current year but no consideration received as they had no rights attached to them

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)**

f) Debtors

	2010 £000	2009 £000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**22,576**	20 296
Other debtors and prepayments	**62**	26
Total debtors	**22,638**	20 322

g) Creditors amounts falling due within one year

	2010 £000	2009 £000
Bank overdraft	6,135	10 488
Corporation tax	475	432
Other creditors	26	37
Amounts owed to subsidiary undertakings	317	111
Derivative financial instruments*	67	-
Total creditors	7,020	11 068

* Hedges of interest payments by interest rate swaps hedging future interest rate risk
Fair value of financial liability of £67 000 contract for £6million at 1 88% based on the GBP LIBOR rate ruling each month between 31 January 2009 and 31 January 2011

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

h) Creditors amounts falling due after more than one year

	2010 £000	2009 £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 £67 000 contract for £6million at 1 88% based on the GBP LIBOR rate ruling each month between 31 January 2009 and 31 January 2011

i) Called up share capital

	Ordinary shares	
In thousands of shares	2010	2009
In issue at the beginning of the financial year	50,561	50,489
Issued for cash	12 383	72
In issue at the end of the financial year – fully paid	62,944	50 561

	2010 £000	2009 £000
Authorised		
100 000 000 (2009 100 000 000) Ordinary shares of 25p each	25 000	25 000
Allotted, called up and fully paid		
62 943 752 (2009 50 560,732) Ordinary shares of 25p each	15 736	12 640

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

Notes to the Company Financial Statements

For the year ended 31 March 2010

21 616 Ordinary shares of 25p each were issued on 22 May 2009 as Group employees exercised share options under the Groups Save As You Earn Share Option Scheme The Group received £7 349 in consideration for the 21 616 share options exercised

On 4 September 2009 12 361 404 ordinary shares were issued and placed at a price of 57p per share The net proceeds after issue costs were £6 7m The placing utilised a cash box structure whereby the cash box entity issued redeemable preference shares in consideration for the receipt of the cash proceeds (net of issue costs) arising from the placing The Companys ordinary shares were issued as consideration for the transfer to it of the shares in the cash box entity which it did not already own As a result, in the opinion of the directors the placing qualified for merger relief under section 612 of Companies Act 2006 so that the £3 6m excess of the value of the acquired shares in the cash box entity over the nominal value of the ordinary shares issued by the Company was credited to the Companys merger reserve

The aggregate nominal value of all shares issued during the year is £3 096 000

j) Reserves

	Share premium account £000	Merger reserve £000	Share-based payment reserve £000	Hedging reserve £000	Profit and loss account £000
Balance at 1 April 2009	10	-	113	(94)	1 255
Issue of shares net of costs* (note i)	2	3,620	-	-	-
Unrealised gain relating to the share-based payment schemes	-	-	38	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	27	-
Retained loss for the year (note k)	-	-	-	-	(189)
Balance at 31 March 2010	**12**	**3,620**	**151**	**(67)**	**1 066**

* Costs include brokers commission and legal fees of £336 000

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

Merger reserve

The merger reserve was created when a cash box placing of shares occurred on 4 September 2009 (see note i) In the opinion of the directors this reserve is distributable

k) Reconciliation of movements in shareholders' funds

	2010 £000	2009 £000
Profit for the financial year	883	347
Dividends (see note d)	(1,072)	(1 212)
Retained loss for the year	(189)	(865)
Net proceeds of share issue (note i)	6 718	25
Share-based payments value of subsidiary undertakings employee services	38	(28)
Effective portion of changes in fair value of cash flow hedges	27	(94)
Net decrease/(addition) to shareholders funds	6,594	(962)
Opening shareholders funds	13 924	14 886
Closing shareholders' funds	**20,518**	13 924

Notes to the Company Financial Statements

For the year ended 31 March 2010

l) Employee benefits

Share-based payments

Sutton Harbour Holdings plc operates two share option programmes that allow all Group 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 Group 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 an employee leaves the Group 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 as at March 31 2010	Grant date	Exercise price	Vesting period	Date from which exercisable	Expiry date
2005 SAYE share option scheme – 5 year plan	201 880	20 Dec 2005	92 5p	5 years	1 Feb 2011	31 Jul 2011
2005 SAYE share option scheme – 7 year plan	27 722	20 Dec 2005	92 5p	7 years	1 Feb 2013	31 Jul 2013
2008 SAYE share option scheme – 3 year plan	115 898	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

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

	Weighted average exercise price 2010	Number of options 2010	Weighted average exercise price 2009	Number of options 2009
Outstanding at the beginning of the financial year	**84 1p**	**656,464**	82 7p	1 164 643
Cancelled during the year	**87 9p**	**(60 444)**	88 5p	(436 847)
Exercised during the year	**34 0p**	**(21,616)**	34 0p	(71 332)
Granted during the year	**N/A**	**-**	N/A	-
Outstanding at the end of the financial year	**85 6p**	**574 404**	84 1p	656 464
Exercisable at 31 March	**N/A**	**-**	34 0p	22 626

The weighted average share price at the date of exercise of share options exercised during the period was 57 5p (2009 45 0p)

The options outstanding at the year end have an exercise price in the range of 81p to 92 5p and a weighted average remaining contractual life of 2 37 years (2009 3 18 years)

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

Notes to the Company Financial Statements

For the year ended 31 March 2010

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

	2010 £000	2009 £000
Equity settled share-based payments	**38**	(28)

m) Contingencies

The Company has given an unlimited guarantee in respect of bank borrowings of all subsidiary companies At 31 March 2010 these borrowings amounted to £8 726,000 (2009 £8 293 000)

n) 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 69 of this document The results of the Company are not consolidated in any other group s financial statements

o) Post balance sheet events

Since the year end, the Group has been offered renewed £25 million banking facilities for a twelve month period with effect from June 2010 with interest rates based on LIBOR

Since the year end the board has decided to dispose of one of the Company s subsidiary undertakings Air South West Limited The Company is currently in negotiation with interested parties