Sutton Harbour Holdings plc

Annual Report and Financial Statements
31 March 2011

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

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 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 The Group has made bids for new marina opportunities to provide revenues for the future and has been appointed preferred bidder in October 2010, working with South East England Development Agency on a new 400 berth marina development at East Cowes, Isle of Wight The Group is continuing to develop the long-term value of its estate The Group has agreed heads of terms with Sir Robert McAlpine Enterprises Limited for the development at East Quays to include the new premises for the BBC

MARINE ACTIVITIES

The Group owns Sutton Harbour in Plymouth s historic Barbican area comprising Sutton Harbour Fisheries – third largest 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 dues, 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 The Group is proud to be hosting the prestigious Fastnet Yacht Race Finish in August 2011, an event the Group has previously hosted in 2009 Other prestigious events hosted include the Artemis 2008 Transat race start with over 100,000 visitors

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 45 acres of the land in tranches between 2009 and 2011 The Group started the regional airline Air Southwest, in 2003 Last year, the Board took the decision to dispose of the airline In September 2010 Sutton Harbour Holdings plc exchanged contracts to sell 100% of Air South West Limited (Air Southwest) to Eastern Airways International Limited Completion of the transaction was achieved on 30 November 2010 In April 2011 the Group announced its intention to cease operations at Plymouth City Airport, by the end of 2011, due to unsustainable losses

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CHAIRMAN'S STATEMENT

During the year the Group has made considerable progress in significantly reducing the exposure to its underperforming businesses and equally in developing the core businesses which will provide a platform for future growth Following the disposal of the airline, Air Southwest, at a time when regional aviation is facing significant uncertainty, and the recently announced intention to close the loss-making Plymouth City Airport by the end of the calendar year, the Group is now able to focus on marine activities and waterfront regeneration in order to target recurring income streams and development profits on asset sales

Having been confirmed as the preferred bidder for a 400 berth marina in Cowes during the year, the Group is now pleased to announce that it has also been named as preferred bidder for the development and operation of a 190 berth marina in the Millbay area of Plymouth

The Group also announces that it has signed heads of terms with Sir Robert McAlpine Enterprises Limited for the development of the site at Sutton Harbour for the regional BBC studios, together with retail office and residential accommodation

As part of the Group s strategy to focus its core regional activities and traditional areas of expertise, the Group is pleased to announce that it has reached agreement to dispose of the health sector related investment in the Cumbria Local Improvement Finance Trust, subject to final approvals

The core businesses of the Group are performing well The fishmarket is trading at record levels and we have secured substantial increases in rentals in our estate, the marinas have good occupancy levels and we are also in the process of selling a number of our trading development assets Such sales are intended to reduce the Group s gearing which increased as a result of the disposal of the airline We believe that we have an excellent development pipeline for medium term growth

STRATEGY

The Group has at its core a policy of building long-term revenues from its marinas and fishing operations and its high quality waterfront estates The formation of Air Southwest in 2003 proved beneficial for the Group and, until 2007, its profit contributions were greater than those from our more traditional activities The more recent combination of adverse competition economic and environmental factors proved too great for our capital resources and therefore the Board decided the best course of action was to dispose of the business These losses and unrealised investment in trading property stock have resulted in reduced headroom in our banking facilities which is being addressed through the intended sale of certain development properties as we rebuild our balance sheet Key objectives for the Board going forward are to build sustainable revenues which reduce our dependency on development profits and on providing returns to shareholders

RESULTS AND DIVIDEND

The Group achieved a profit before taxation of £1 711m on continuing activities (2010 £6 012m) These results are stated after the fair value surplus adjustment of investment property of £103,000 (2010 £539 000 deficit) and the loss on Plymouth City Airport operations of £0 904m A loss of £8 407m was sustained in the year from discontinued activities including the loss on the disposal of the entire share capital of Air South West Limited The Group s loss after taxation, including discontinued activities, for the year was £6 452m (2010 £2 101m profit)

Net assets at 31 March 2011 were £36 1m (31 March 2010 £43 1m) and includes the surplus on revaluation of owner-occupied property of £66,000 (2010 surplus £220,000), giving a consolidated net asset value per share of 57 3p (2010 68 5p) Gearing expressed as a percentage of net assets at 31 March 2011 was 58 2% (31 March 2010 35 0%) During the year the Group renewed its banking facilities for a three year period to December 2013

The Board does not recommend a dividend for the year (2010 total dividend 1 9p) due to the need to conserve financial headroom on bank facilities whilst the Group is taking major actions to reshape its activity base and to take account that trading property stock realisations have been delayed due to slow property market conditions The early resumption of dividend payments is a priority

AIRPORT

There has been much speculation about the future use of the Plymouth City Airport site Following the announcement that the Group intends to cease operation of Plymouth City Airport during the year, Plymouth City Council is currently undertaking a viability study into the airport, which it expects to complete in July 2011 which will inform the final decision about the airport's future The Group has a 143 year unexpired leasehold interest in the land at Plymouth City Airport and in accordance with the terms of the lease we will be working with the freeholder, Plymouth City Council, to achieve best value for the site

CORPORATE GOVERNANCE AND STAFF

Malcolm Pearce, who is a substantial shareholder and has served as a Non-Executive Director for nine years, will retire following the forthcoming Annual General Meeting On behalf of all his colleagues, I thank him for his wise counsel during this period Anthony Everett will succeed Malcolm in the role of Senior Independent Director I am aware of the commitment and energy shown by the Executive Directors through what has been a challenging period and I am grateful for their skill and efforts

The Group currently has 99 employees (2010 245 employees) Staff numbers reduced sharply following the disposal of Air Southwest and will fall further if closure of the airport is confirmed This past year has presented uncertainty for many of our employees but despite these concerns they have continued to offer a professional service The Directors are grateful for the hard work and positive attitude of the Group's workforce during this transitional phase

OUTLOOK

The airline and Plymouth City Airport have recently been a major cash drain for the Group and significant losses have been incurred Our recent actions will mean that the Group s exposure to cash volatility and the associated business risks will be significantly reduced going forward We have a clear strategy which means we will be concentrating our resources, time and efforts on marine and regeneration activities where we have proven successes over the years We have a high quality asset base which is being developed further, some exciting opportunities to extend these activities, and, a good project pipeline for the future

Michael Knight
Chairman
15 June 2011

CHIEF EXECUTIVE'S REPORT

Property Portfolio	As at 31 March 2011	As at 31 March 2010
Total property portfolio valuation	£49,435,000	£48,230 000
Owner occupied portfolio valuation	£28,650,000	£27,679 000
Investment portfolio valuation	£20 785,000	£20,551,000
Number of investment properties*	69	68
Contracted rent (per annum)*	£1,379,000	£1 177000
Net Initial Yield*	8 15%	8 20%
Reversionary Yield*	8 94%	9 10%
Vacancy rate*	14 28%	18 0%
Estimated Rental Value (ERV) of vacant units	£262,000	£300,000
Average unexpired lease*	9 2 years	9 6 years
Gross car parks revenue	£284,000	£312,000

* Excluding properties at Plymouth City Airport

ASSET MANAGEMENT

Whilst property development continues to be challenging we have continued to invest in and drive value from our investment portfolio We have secured lettings in vacant premises in the Sutton Harbour estate and, working in partnership with Regus, have established a high quality serviced office facility at Salt Quay House overlooking Sutton Harbour The continued investment and close management of the portfolio have assisted in achieving increases if only modest, in the valuation of the property assets

Since the year end, further lettings have been agreed The lease for Jamaica House has become unconditional and the lease for 62 Exeter Street is in the process of being executed With those lettings complete, the vacancy rate will reduce to 6 63% of total floor area of the portfolio and the ERV of vacant units will reduce by £117,000

REGENERATION

During the last decade the Group has delivered a succession of six major regeneration schemes around Sutton Harbour, some through the Sutton Partnership with Plymouth City Council, the first phase of a mixed use scheme at Exeter Quays and the first phase of another mixed regeneration programme at Portland These schemes all demonstrate the Group's ability to deliver schemes with the complexities of partnership working with public sector bodies design that is sensitive to historic waterfront locations, land assembly, planning consents, and, working with ultimate tenants or investors of the developments Slow property market conditions have resulted in delays in achieving realisations of projects and over the forthcoming year the Group will continue to balance the need for positive cash flow against achieving the best possible values In these challenging markets, the Group expects new developments to be pre-sold or substantially pre-let before entering into the construction phase

Our current projects include the sale of surplus airport land, further phases at both Exeter and Portland and development of sites around Sutton Harbour, including the proposed premises to pre-let to the BBC, further details of which are set out below

- Portland comprises a site close to where the Olympic sailing events will be held and has consent for a mix of uses including employment space a foodstore, residential and retail/hospitality uses Phases will be sold or developed as conditions permit, including any negotiations required with the successor body to the Regional Development Agency
- The Exeter project is made up of a completed ground floor commercial unit overlooking Exeter Quays which is held for resale and further sites designated for commercial, retail and parking space
- During the year we sold the third tranche of airport land, with the fourth tranche due to be sold in the current financial year A further two airport sites with consents are available for sale
- We have continued to work with the BBC on the East Quays development for their new premises and heads of terms with Sir Robert McAlpine Enterprises Limited have now been signed There are several other Sutton Harbour sites for development and we are aware of a number of office requirements These new developments will be brought forward where the Group can achieve a good return and where a pre-let or pre-sale is secure

As at 31 March 2011, the Group is carrying trading property stock of £13 630m This comprises

	£
Sites around Sutton Harbour	6 515m
Portland	1 816m
Exeter Quays	0 639m
Airport Development Property – Surplus land for sale in tranches	0 888m
Airport Development Property – Current operational site	3 569m
Other miscellaneous projects	0 203m
	13 630m

MARINE ACTIVITIES

The marinas at Sutton Harbour have maintained occupancy rates and have steadily increased visitor berthing Our marinas offer high quality boutique style facilities at the centre of the South West cruising coastline and we are working to reach a wider audience We will be hosting the Fastnet Yacht Race Finish at Sutton Harbour for the second time between 14 and 21 August 2011, which showcases the facilities and setting to yachting enthusiasts and the general public

Sutton Harbour Fisheries has achieved a record 4 700 tonnes of fish landed to the market during the financial year (2010 3,600 tonnes) However, improved revenues from fish landings have been partially offset by reduced profits on fuel sales to remain competitive in the market

The Group s Sutton Harbour Marina has benefited from high occupancy levels for many years and over the past five years the number of leisure berths have increased from 250 to 489, which has meant that the capacity for annual revenue has increased from £630,000 in 2006 to £1 3m as the facilities are currently configured The Sutton Harbour marinas, protected by the Sutton Lock provide more comfortable berthing conditions during unsettled weather and the high quality amenities are a luxury to the visiting yachtsperson We have built this business on courteous service, comfort and quality of facilities and to give the berthholder the feeling of belonging We currently have some vacancies and to return to full occupancy we are working to target our market more effectively Our objective is to continue to re-invest into our existing facilities and soon to develop our brand into new locations

We have been working on a project for a new marina at East Cowes with the South East England Development Agency and we were announced as preferred bidder in October 2010 Discussions have continued positively and we await news of who the successor body will be We now have a second exciting opportunity to construct a new marina in Plymouth, at Millbay, where the Group has been appointed preferred bidder These schemes are major opportunities for the Group and provide the potential for future growth in annuity income

AIRPORT

As previously announced, the Board decided that the losses of Plymouth City Airport could not continue to be borne by the Group and with passengers projected to average at less than 100 per day, notice was served of the intention to cease operations by the end of the calendar year It is still too early to comment on the eventual outcome of the viability assessment being undertaken by Plymouth City Council, the freeholder, but if the airport is to close we will be working with Plymouth City Council to achieve best value for the land through alternative use

To service part of the surplus land and importantly to provide core infrastructure into the airport site, construction of a link road from the main trunk road together with highways improvements and installation of utilities will be started during this financial year at a cost of £2 3m

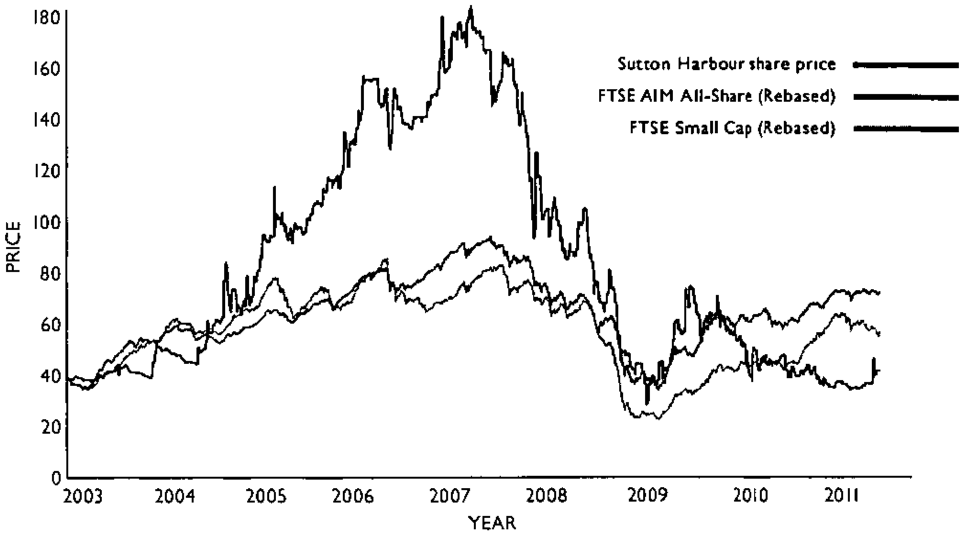
FUTURE PROSPECTS

The Group has an ambitious and exciting programme as it enters a new era with a clear focus on its marine and regeneration activities Bank financing may be sought for specific projects which meet specific investment criteria and although we will be seeking to release cash from trading property stock disposals we recognise that overall we will need to be prudent with our capital resources

This has been a challenging period for staff and a disappointing year for shareholders as we have taken action to re-shape the Group to provide a stable platform from which to develop our activities We are enthusiastic about progressing the new projects that we are currently working on

Nigel Godefroy
Chief Executive
15 June 2011

FINANCIAL REVIEW



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 2010 and at 31 March 2011 The valuation at 30 September 2010 gave rise to a net deficit of £170 000 in the first half year, with recovery in the second half year to give a net surplus for the year of £169,000 This surplus is reconciled as £103,000 surplus on the investment portfolio and £66,000 surplus on the owner-occupied portfolio Despite continued negative pressures on property valuation, the Group has achieved stability and modest growth due to new lettings of vacant space and solid performance by the marine sector activities

CASH FLOW AND FINANCING

The Group had total borrowings of £21 015m at 31 March 2011 (2010 £15 089m) with a gearing level of 58 2% (2010 35 0%) The Group renewed its banking facilities in December 2010 with a £15m three year facility, a £5m two year facility and a £5m revolving credit facility The Group has operated within authorised facilities and has met bank covenants during the year The Group sustained significant cash outflow to trade Air Southwest until its disposal In accordance with the terms of the sale and purchase agreement, there was no trading cash exposure between 1 October 2010 and the actual disposal date of 30 November 2010 Disposal of the third tranche of surplus airport land in December 2010 represented the single largest cash inflow of £3 3m The Group continues to have underlying annuity cash inflows in the form of rents, fees and charges from the core marine and property investment activities LIBOR rates have been hedged at 2 15% on £15m core debt to December 2013

SHARE CAPITAL

The Company has not issued any share capital during the year and currently has 62,943,752 ordinary 25p shares in issue (2010 62,943,752 ordinary shares)

BUSINESS RISKS

The assessment of the Groups key business risks and their management is given on pages 20 and 21

DISPOSAL OF AIR SOUTH WEST LIMITED

The Company disposed of its entire investment in Air South West Limited to Eastern Airways International Limited on 30 November 2010 The trading loss on discontinued activities of £1 688m was sustained up to the effective completion date of 30 September 2010 This loss represents the trading loss of the investment together with incremental staff costs incurred by the Group in connection with the airline business which have since been saved The loss on disposal of £6 719m represents the sale price less adjustments for advance ticket sales held and a working capital adjustment and the impairment of the net assets of the subsidiary Also included in the total are the professional costs in connection with the disposal

PLYMOUTH CITY AIRPORT

The Group has owned the long leasehold and operated the airport since April 2000 On 28 April 2011 the Group announced its intention to cease operations at the airport by the end of 2011 The Group has reviewed the carrying value of the airport company and expects to recover the value of the assets both the long leasehold land asset, the plant and machinery and the development property of £4 457m, through alternative use in the event of a confirmed closure position Further information on accounting treatment for the airport assets is given in note 13 to the financial statements

The Group will be constructing a link road to the airport site together with other infrastructure works, which will also access part of the surplus airport land which is being sold in tranches These assets will be essential to serving present and future usages of the entire airport site which is in excess of 100 acres

TAXATION

The standard rate of tax applicable to the Group is 28% The overall tax credit for the year is £244,000 (2010 charge £1,520,000) which gives an effective tax rate of 14 3% (2010 25 3%)

The overall tax charge is reduced due to a combination of adjustments in relation to previous years and a release of deferred tax resulting from the change in tax rate from 28% to 26% that was substantively enacted on 29 March 2011 Further information on the tax charge for the year is detailed in notes 10 and 19 to the financial statements

BUSINESS PROPERTY RELIEF

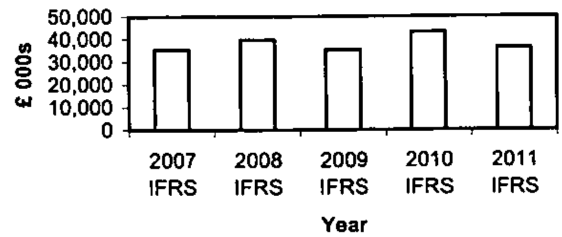
The Group has the objective of retaining Business Property Relief in the medium term Due to the changes in the trading structure of the Group after the disposal of Air South West Limited, shareholders should take their own advice in their personal taxation planning

Natasha Gadsdon
Finance Director
15 June 2011

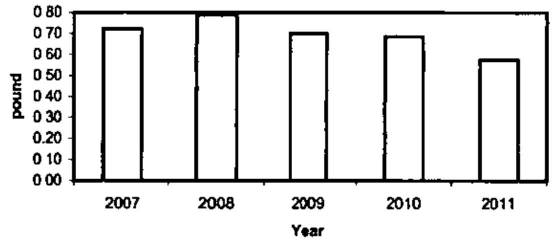
KEY PERFORMANCE INDICATORS

The material Key Performance Indicators relevant to our business are

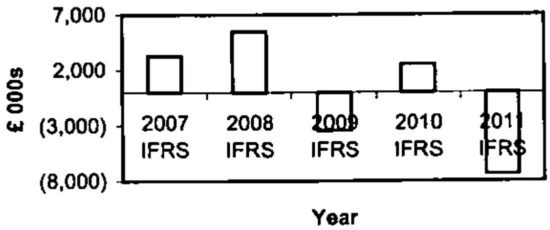
NET ASSETS



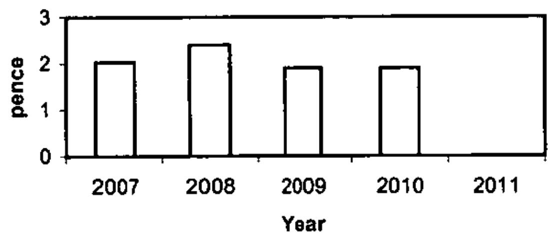
NET ASSET VALUE PER SHARE



PROFIT BEFORE TAX



DIVIDEND PER SHARE



FINANCIAL HIGHLIGHT	**2011**	**2010**
Net Assets (£000)	36,081	43,133
Profit before tax from continuing operations (£000)	1,711	6,012
(Loss)/profit after tax (£000)	(6,452)	2,101
Basic earnings per share	(10 25p)	3 64p
Dividend per share	0 0p	1 9p
Net Debt (£000)	21,015	15,089
Gearing (See note 3)	58 2%	35 0%

KEY EVENTS BY DIVISION

MARINE ACTIVITIES

- Record year trading for Sutton Harbour Fisheries, the Plymouth fishmarket, which recorded landings worth £14 3m (2010 £11 9m) up 20% on previous year Sutton Harbour Fisheries is the third largest fishmarket in England
- Stable marina occupancy rates during 2010/2011 and for current 2011/2012 season
- Sutton Harbour selected to host the Fastnet Yacht Race Finish in August 2011

REGENERATION ACTIVITIES

- Completion of sale of third tranche of surplus airport land achieved in December 2010 Fourth tranche to follow in the current financial year
- Appointed preferred bidder in October 2010 working with South East England Development Agency, on a new 400 berth marina development at East Cowes, Isle of Wight
- Subletting of the remaining two floors (12,000 sq ft) of Salt Quay House, at Sutton Harbour to international serviced office provider Regus
- Letting of vacant premises, Jamaica House (6,400 sq ft) and fisheries units (3,000 sq ft) to Gael Force Marine Group

TRANSPORT ACTIVITIES

- Icelandic volcanic ash in the atmosphere closed UK airspace for 6 days during April 2010 resulting in cancellation of Air Southwest services
- Withdrawal of Air Southwest twice daily services to London City Airport from Plymouth and Newquay in May 2010
- Disposal of the airline, Air South West Limited, to Eastern Airways International Limited on 30 November 2010
- Withdrawal by Air Southwest of services to London Gatwick from Plymouth and Newquay in February 2011
- Intended cessation of operations of Plymouth City Airport by end of 2011, announced in April 2011

THE GROUP'S STRATEGY

GROUP VISION

- The Group aims to be the waterfront regeneration specialist of choice, providing solutions that encompass property development and investment and management of specialist assets including marinas harbours and car parks
- 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 primarily focused on operating within marine and regeneration sectors in non-metropolitan regions of the United Kingdom, with concentration on the South Coast and South West regions

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 waterfront regeneration and infrastructure 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
- To provide a progressive dividend return to shareholders in the medium term

CURRENT BUSINESS PLANS

- Growth of earnings from core divisions
- Increase asset base for investment and revenue earning potential
- Development of businesses to advance geographical spread of operation
- Build partnerships for long term working relationships based on achieving partners goals and replicate partnering model to win further business
- Objective to re-balance activities (post Air Southwest disposal) to preserve business property relief
- Strong cash management
- Develop mix of businesses with complementary short and long term profit and cash cycles
- To improve visibility of the Group's activities to target audiences through electronic marketing channels
- 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 and third tranche sold during year ended 31 March 2011 with the remaining tranche programmed for sale during the current financial year
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	Heads of terms signed with Sir Robert McAlpine Enterprises Limited for the development of the site
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 2010 Commercial space held for letting and currently for sale 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 seven 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 This activity is now peripheral to the core activities of the Group with agreement for sale reached, subject to final approval

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 £20m and £5m facilities in place which expire in December 2013 and 2012, respectively As an alternative, or in addition to bank funding, the Group has other current opportunities to raise funds including through sale of specific assets
	Compliance with bank terms and covenants	The Group maintains a regular dialogue with bankers over progress of the Group and operates to a business plan to remain within bank facility terms
	Interest rate rises	The Group has hedged LIBOR by way of an interest rate swap on £15m core debt until December 2013
• Key Relationships	A key strength of the Group is a partnering approach to infrastructure and transport related projects Loss of key relationships could hamper business opportunities to the Group	The partnering approach works by achieving a satisfactory outcome for all parties The Board and senior management work hard at maintaining and building new partnership relationships
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
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 Some schemes have been delayed or re-formulated to take account of current economic conditions
• 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
• Key Personnel	A key resource is skilled personnel	The Group ensures that it has adequate staff with the necessary skills and experience Competitive remuneration packages are paid
• Financial Resource	Completion of projects is at risk if financial resources are constrained	Projects may be phased to spread cash flows delivered via partnering arrangements or forward financed
• Regional Development Agencies	Certain regeneration projects involve contracting with regional development agencies which are due to be disbanded and their responsibilities will be assumed by successor bodies	Discussions will be held with successor bodies for projects affected
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	Plymouth City Airport is 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
• Trading Losses	The continuing trading losses of Plymouth City Airport are unsustainable	The Group has taken action to remove this risk and has served notices of its intention to cease operations at the airport by the end of 2011
• Reputation	The Group is potentially at risk of negative publicity if the airport closes due to loss of a facility and employment	The Group has operated the airport since April 2000 and has demonstrated its commitment to the business through a number of innovative strategies, including the starting of Air Southwest in 2003 and the release of surplus airport land agreed in 2009 The Group cannot support a business without visibility of a satisfactory return and has therefore served notice of its intention to cease operations at the airport by the end of 2011

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 an Independent Health and Safety Consultant The Committee has a comprehensive agenda and is briefed on new legislation or regulation by the Independent Health and Safety Consultant

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

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

AIR SAFETY – PLYMOUTH CITY AIRPORT

Air safety in the Group is the responsibility of the accountable managers of the Airport who are approved by the Civil Aviation Authority There is an open reporting culture at the 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 to the Board of Directors Management of air safety for the Airport is audited by the Civil Aviation Authority, which is a condition of the operating licence

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

Sutton Harbour will be hosting the Fastnet Yacht Race Finish during August 2011, as it did in 2009 This followed the very successful hosting of the start of the Artemis Transat Race in 2008 The Group has 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 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
15 June 2011

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) Anthony D Everett (Non-Executive Director) John A N Heawood (Non-Executive Director) Malcolm V L Pearce (Non-Executive Director) Sean J Swales (Non-Executive Director)
SECRETARY:	Natasha C Gadsdon
REGISTERED OFFICE:	North Quay House Sutton Harbour Plymouth PL4 0RA Tel 01752 204186 Fax 01752 205403 www sutton-harbour co uk
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP 31 Great George Street Bristol BS1 5QD
NOMINATED BROKER AND NOMINATED ADVISER:	Arden Partners plc 125 Old Broad Street, London EC2N 1AR
REGISTRAR:	Computershare Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
BANKERS:	National Westminster Bank plc London EC2N 3UR

DIRECTORS' REPORT

The Directors present their Directors Report and audited Consolidated Financial Statements for the year ended 31 March 2011

RESULTS

The Groups loss before tax amounted to £7,257,000 (2010 profit before tax £2,515 000), of which £8 41m was the loss on the disposal and the pre-tax trading losses incurred by Air South West Limited Detailed results are set out on page 36

PROPOSED DIVIDEND

No interim dividend was paid during the year (2010 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 nil (2010 1 0p) net per ordinary share representing nil (2010 1 9p) for the year

Dividends paid during the year comprise a final dividend of 1 0p per share in respect of the previous year ended 31 March 2010

PRINCIPAL ACTIVITIES

The principal activities of the Group are property regeneration, investment and development, provision of transportation and related facilities and, for the first half of the year, the operation of an airline The principal activity of Sutton Harbour Holdings plc is that of a holding company 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 6, the Chief Executive's Report on pages 8 to 10 and Financial Review on pages 12 and 13 which is incorporated in this report by reference In addition, the Key Performance Indicators are on page 14 The principal risks are summarised on pages 20 and 21

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 does not follow any code or standard on payment practice, however, 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 2011, the Group had an average of 40 days purchases outstanding in trade creditors (2010 37 days) The Company has no trade creditors

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling £2,610 (2010 £2,890) All cash donations were made to various local and national charities for sponsorship or gifts

There were no political donations (2010 none)

MAJOR SHAREHOLDINGS

As at 15 June 2011 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 69	16,168 625
Crystal Amber Fund Limited	13 55	8,530,707
Mr T R and Mrs M E Winser	5 63	3,542,924
*Rock Nominees Limited	4 38	2 755 017
*Pershing Nominees Limited	4 10	2,582,995
BS Pension Fund Trustee Limited	3 84	2,416,386
* Giltspur Nominees Limited	3 77	2,370,904

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

DIRECTORS' INTERESTS

The interests of the Directors in the ordinary shares of the Company as at 31 March 2011 are set out below There have been no changes in these interests between 1 April 2011 and 15 June 2011 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 30 to 32

	2011	2010
Michael A Knight	**35,990**	35,990
Nigel J Godefroy	**169,832**	169,832
Natasha C Gadsdon	**77,632**	77,632
Jason WH Schofield	**4,000**	4,000
Anthony D Everett	**39,000**	29,000
John A N Heawood	**7,500**	7,500
Malcolm VL Pearce	**652,000**	652,000
Sean J Swales	**10,000**	10,000
J Keith Sykes (Deceased 24 April 2010)	-	400,000

SUBSEQUENT EVENTS

Since the year end the Board has announced its intention to cease the operation of Plymouth City Airport by the end of 2011

DIRECTORS AND THEIR INTERESTS

Michael A Knight

Aged 57 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 Services Limited which is regulated by the FSA He was formerly a partner of Ernst & Young LLP

Nigel J Godefroy

Aged 46 Appointed Executive Director in October 1996 and Chief Executive in October 2004 He is a Chartered Accountant and has been with the Group since 1992

Natasha C Gadsdon

Aged 41 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 45 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

Anthony D Everett

Aged 63 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 72 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 58 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.

Sean J Swales

Aged 43 Appointed Non-Executive Director in December 2009 he is a Chartered Accountant and is Group Finance Director of Rotolok (Holdings) Limited, the Group's largest Shareholder

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

In accordance with the Company's Articles of Association Natasha Gadsdon and John Heawood retire by rotation at this year's Annual General Meeting and being eligible, offer themselves for re-election Malcolm Pearce retires but does not offer himself for re-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

By Order of the Board
Natasha Gadsdon
Finance Director
15 June 2011

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 Michael Knight is the Chairman Anthony Everett is the Deputy Chairman and Malcolm Pearce is the Senior Independent Non-Executive Director, to be succeeded by Anthony Everett in August 2011

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 30 to 32 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

In relation to non audit work, we carefully review whether it is necessary for the auditors' firm to carry out such work and we will only grant approval for them to do so if we are satisfied that the auditors' independence is maintained The Company s auditors assist in this by ensuring that the partner responsible for the external audit remains responsible for the audit for no more than five years and that there is a quality review partner who is involved in planning the audit and in the reviewing of the final accounts including assessing any critical matters identified in the audit The auditors have also confirmed to the Audit Committee that they have complied with all relevant guidance issued by the Auditing Practices Board and have implemented appropriate safeguards including that non-audit related services are performed by personnel independent of the audit engagement team Set out in note 7 is the level of fees paid to the auditors' firm for audit services and non-audit services It is recognised that the level of non-audit fees payable to the auditors' firm in the past year was in excess of the audit fee paid This was primarily due to fees paid to the corporate finance arm of the auditors firm in relation to the one off disposal of Air South West Limited and the re-financing during the year We carefully considered the reasons for use of the auditors' firm and the continuing independence was maintained due to the safeguards maintained by them

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 13 include a detailed review of the business and future developments Shareholders are encouraged to pose questions to the Board at any time of the year and the Board uses the Annual General Meeting to communicate with all shareholders and welcomes their participation

INTERNAL CONTROL

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

- **Corporate Accounting and Procedures**
  There are defined authority limits and controls over acquisitions and disposals There are also clear reporting lines within the business and risk assessments are undertaken and regularly reviewed in all divisions and at all levels within the Group Appropriate internal controls are set for all divisions of the business Given the size and nature of the Group no separate internal audit department is considered necessary
- **Quality of Personnel**
  The competence of personnel is ensured through high recruitment standards and subsequent training courses High quality personnel are seen as an essential part of the control environment
- **Financial Reporting**
  The Group has a comprehensive system for reporting financial results to the Board and monitoring of budgets
- **Investment Appraisal**
  Capital expenditure is regulated by authorisation levels For expenditure beyond specified levels, detailed written proposals are submitted to the Board Reviews are carried out after the acquisition is complete and any overruns are investigated Due diligence work is carried out if a business is to be acquired

GOING CONCERN

The review of the Group's business activities is set out in the Chairman s Statement on pages 4 to 6 and the Chief Executive's Report on pages 8 to 10 The financial position of the Group, its cash flows and financing position are described in the Financial Review on pages 12 and 13 In addition note 3 to the financial statements gives details of the Group s financial risk management

In December 2010 the Group renewed its banking facilities with a £25m facility comprising a £15m three year term loan, a £5m two year term loan and a £5m revolving credit facility As a consequence of the cash outflow to trade Air Southwest to disposal and to fund the negative consideration on disposal, together with the funding of interest and dividend, debt and therefore gearing has increased (from 35 0% to 58 2%)

The banking facilities include financial covenants, including (i) an adjusted measure of EBITDA to interest covenant which increases from 2 0 to 2 25 in March 2012 and 2 50 in September 2012 (and increasing ultimately to 3 0 in September 2013) (ii) a debt to net tangible assets covenant and (iii) a debt to fair value of property valuation The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of the facilities and covenants over a period of at least twelve months The projections include the proceeds from the disposal of certain properties during that period which the Directors consider to be achievable

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

By Order of the Board
Natasha Gadsdon
Company Secretary
15 June 2011

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 J 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 Groups objectives and creating value for our Shareholders The Committee also takes into account the scale and complexity of the Groups operations and seeks independent advice from specialist advisers, where appropriate

COMPOSITION OF REMUNERATION

Executive Directors pay comprises basic salary reviewed annually, pension scheme contributions to the Groups defined contribution pension scheme annual bonus based on audited results of the Group, and other benefits in kind including provision of a company car and private medical healthcare Salary is paid monthly and the annual bonus is accrued in the financial year to which it relates Non-Executive Directors receive fees, 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 although there is no specified minimum holding

REMUNERATION FOR EXECUTIVE DIRECTORS

During the year the Executive Directors were granted a one-off payment as consideration for revisions to their service contracts The principal changes relate to the basis for payment of bonuses Under the old contracts, these bonuses were uncapped and payable, on a sliding scale, up to 5% of profits above the relevant profit threshold to each of the Directors The new bonus scheme limits bonus payments to 40% of base salary in any year and is dependent on the achievement of annual targets set by the remuneration committee The Other Payments, disclosed in the table of remuneration for year ended 31 March 2011, are in respect of the consideration for these changes to the contracts

No bonuses were payable in respect of the year ended 31 March 2011 The Executive Directors salaries were not increased during the financial year 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 were 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 was paid in June 2010

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

	2011 £000	2010 £000
Fees	122	140
Other Emoluments	419	346
Pension Contributions	34	34
	575	520

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

For the year to 31 March 2011	Directors' salaries £000	Other Payments £000	Taxable benefits £000	Directors' fees £000	Total 2011 £000
Michael A Knight	-	-	-	40	40
Nigel J Godefroy	143	20	17	-	180
Natasha C Gadsdon	97	13	7	-	117
Jason W H Schofield	97	13	12	-	122
Anthony D Everett	-	-	-	20	20
John A N Heawood	-	-	-	20	20
Malcolm V L Pearce	-	-	-	20	20
Sean Swales (Appointed 1 December 2009)	-	-	-	20	20
J Keith Sykes (Deceased 24 April 2010)	-	-	-	2	2
	337	46	36	122	541

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 2010)	-	-	-	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

The pension contributions made in respect of the Executive Directors were

	2011 £000	2010 £000
Nigel J Godefroy	14	14
Natasha C Gadsdon	10	10
Jason WH Schofield	10	10
	34	34

SHARE OPTIONS

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

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

	At 1 April 2010	Number of options granted during the year	Number of options lapsed during the year	Number of options cancelled during the year	At 31 March 2011	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 36 0p as at 31 March 2011 The maximum and minimum values of the shares during the year were 48 5p and 35 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.

The Non-Executive Directors are appointed with one months notice and the Chairman has a minimum six months notice

On behalf of the Board
John Heawood
Director
15 June 2011

Statement of Directors' Responsibilities

For the year ended 31 March 2011

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

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have 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 Practice (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 the 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 financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the 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
15 June 2011

Independent Auditors' Report

For the year ended 31 March 2011

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 2011 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 Statement of Directors Responsibilities set out on page 34, 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 and express an opinion on 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 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 Group 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its loss 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

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 2011

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
15 June 2011

Consolidated Income Statement

For the year ended 31 March 2011

	Note	2011 £000	2010 £000
Revenue	5	**12,274**	17,655
Cost of sales		**(8,606)**	(9,456)
Gross profit		**3,668**	8,199
Other income	6	**37**	40
Administrative expenses		**(1,404)**	(1 422)
Operating profit before fair value adjustments on investment property		**2,301**	6,817
Fair value adjustments on investment property	15	**103**	(539)
Operating profit	5,6	**2,404**	6,278
Finance income	9	**1**	4
Finance costs	9	**(644)**	(270)
Net finance costs		**(643)**	(266)
Share of loss of associate using equity accounting method		**(50)**	-
Profit before tax from continuing operations		**1,711**	6,012
Taxation credit/(charge) on profit from continuing operations	10	**244**	(1,520)
Profit for the year from continuing operations		**1,955**	4 492
Discontinued Operations			
Loss for the year from discontinued operations	30	**(8,407)**	(2,391)
(Loss)/profit for the year attributable to equity shareholders		**(6,452)**	2,101
Basic earnings/(loss) per share	12		
from continuing operations		**3 11p**	7 79p
from discontinued operations		**(13 36)p**	(4 15)p
Total basic (loss)/earnings per share		**(10 25)p**	3 64p
Diluted earnings/(loss) per share	12		
from continuing operations		**3 11p**	7 79p
from discontinued operations		**(13 36)p**	(4 15)p
Total diluted (loss)/earnings per share		**(10 25)p**	3 64p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Note	2011 £000	2010 £000
(Loss)/profit for the year		**(6,452)**	2 101
Other comprehensive income/(expense)			
Revaluation of property, plant and equipment	13	**66**	220
Deferred taxation on income and expenses recognised directly in the consolidated statement of comprehensive income	19	**17**	(62)
Effective portion of changes in fair value of cash flow hedges		**1**	(224)
Other comprehensive income/(expense) for the year, net of tax		**84**	(66)
Total comprehensive (expense)/income for the year attributable to equity shareholders		**(6,368)**	2 035

Consolidated Balance Sheet

As at 31 March 2011

	Note	2011 £000	2010 £000
Non-current assets			
Property, plant and equipment	13	29,470	37,971
Intangible assets	14	-	472
Investment property	15	20,828	20,551
Investment in associate	16	43	93
Other financial assets	17	-	130
		50,341	59,217
Current assets			
Inventories	20	13,996	11,315
Trade and other receivables	21	2,144	2 580
Cash and cash equivalents	22	1	7
Derivative financial instruments	18	-	100
Tax recoverable		233	-
		16,374	14,002
Total assets		66,715	73,219
Current liabilities			
Bank borrowings	22	1,001	14,549
Other interest-bearing loans and borrowings	23	1,015	431
Trade and other payables	25	1,424	5 009
Deferred income	24	1,481	3,733
Deferred government grants	24	36	39
Derivative financial instruments	18	-	168
Provisions for other liabilities and charges	27	2,636	46
Tax payable		-	427
		7,593	24,402
Non-current liabilities			
Other interest-bearing loans and borrowings	23	19,000	116
Deferred government grants	24	651	685
Deferred tax liabilities	19	3,323	4 704
Derivative financial instruments	18	67	-
Provisions for other liabilities and charges	27	-	179
		23,041	5,684
Total liabilities		30,634	30,086
Net assets		36,081	43,133
Equity and reserves			
Share capital	28	15,736	15 736
Share premium		12	12
Other reserves		13,566	13 482
Retained earnings		6,767	13,903
Total equity		36,081	43 133

The notes on pages 41 to 71 are an integral part of these consolidated financial statements

The Financial Statements on pages 36 to 71 were approved by the Board of Directors on 14 June 2011 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 2011

	Notes	Share capital	Share premium	Revaluation reserve	Merger reserve	Hedging reserve	Retained earnings	Total equity
			---------- Other reserves ----------					
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009		12,640	10	9,521	251	156	12836	35,414
Comprehensive income								
Profit for the year		-	-	-	-	-	2,101	2,101
Other comprehensive income								
Revaluation of property, plant and equipment	13	-	-	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	2035
Transactions with owners								
Proceeds from issue of shares net of costs*	28	3,096	2	-	3,620	-	-	6,718
Share-based payments – value of employee services	26	-	-	-	-	-	38	38
Dividends	11	-	-	-	-	-	(1,072)	(1,072)
Transactions with owners		3,096	2	-	3,620	-	(1,034)	5,684
Balance at 31 March 2010		15,736	12	9679	3,871	(68)	13,903	43,133
Balance at 1 April 2010		15736	12	9,679	3,871	(68)	13,903	43,133
Comprehensive income								
Profit for the year		-	-	-	-	-	(6452)	(6452)
Other comprehensive income								
Revaluation of property, plant and equipment	13	-	-	66	-	-	-	66
Deferred taxation on revaluation of property, plant and equipment	19	-	-	17	-	-	-	17
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	(67)	-	(67)
Recycled to cost of sales		-	-	-	-	68	-	68
Total other comprehensive income/(expense)		-	-	83	-	1	-	84
Total comprehensive income/(expense)		-	-	83	-	1	(6,452)	(6,368)
Transactions with owners								
Share-based payments – value of employee services	26	-	-	-	-	-	(55)	(55)
Dividends	11	-	-	-	-	-	(629)	(629)
Transactions with owners		-	-	-	-		(684)	(684)
Balance at 31 March 2011		15,736	12	9,762	3,871	(67)	6,767	36,081

* Costs include Brokers' commission and legal fees of £nil (2010 £336,000)

The aggregate deferred tax relating to items that are charged to equity is £17 000 (2010 £(62 000))

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 2011

	Note	2011 £000	2010 £000
Cash generated from continuing operating activities	31	**1,284**	4,324
Net cash used in discontinued operating activities	30	**(3,139)**	-
Cash (used in)/generated from total operating activities		**(1,855)**	4 324
Tax paid		**(81)**	(280)
Net cash (used in)/generated from total operating activities		**(1,936)**	4,044
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1**	-
Disposal of discontinued operations net of cash	30	**(1,928)**	-
Expenditure on investment in associate		**-**	(93)
Expenditure on investment property	15	**(174)**	(257)
Expenditure on property plant and equipment		**(548)**	(3,124)
Interest received		**1**	11
Net cash used in investing activities		**(2,648)**	(3 463)
Cash flows from financing activities			
Proceeds from the issue of share capital - Placing		**-**	7,054
- Other costs		**-**	(336)
Proceeds from new loan		**20,000**	117
Interest paid		**(801)**	(705)
Repayment of borrowings		**(206)**	(1 045)
Dividends paid	11	**(629)**	(1,072)
Cash flow from financing activities in discontinued operations	30	**(238)**	
Net cash generated from financing activities		**18,126**	4,013
Net increase in cash and cash equivalents		**13,542**	4,594
Cash and cash equivalents at beginning of the year	22	**(14,542)**	(19,136)
Cash and cash equivalents at end of the year	22	**(1,000)**	(14,542)

The notes on pages 41 to 71 are an integral part of these consolidated financial statements

Notes to the Financial Statements

For the year ended 31 March 2011

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

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 Group s interest in associates

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

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

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

Going concern

In December 2010 the Group renewed its banking facilities with a £25m facility comprising a £15m three year term loan a £5m two year term loan and a £5m revolving credit facility As a consequence of the cash outflow to trade Air Southwest to disposal and to fund the negative consideration on disposal together with the funding of interest and dividend debt and therefore gearing has increased (from 35 0% to 58 2%)

The banking facilities include financial covenants including (i) an adjusted measure of EBITDA to interest covenant which increases from 2 0 to 2 25 in March 2012 and 2 50 in September 2012 (and increasing ultimately to 3 0 in September 2013) (ii) a debt to net tangible assets covenant and (iii) a debt to fair value of property valuation The Group s forecasts and projections taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of the facilities and covenants over a period of at least twelve months The projections include the proceeds from the disposal of certain properties during that period which the Directors consider to be achievable

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

Measurement convention

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of Sutton Harbour Holdings plc and 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

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

Associates

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

Property, plant and equipment

Plant and machinery and fixtures and fittings are stated at cost less accumulated depreciation and impairment losses Historical cost includes expenditure that is directly attributable to the acquisition of the items

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
Paintings and antiques

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

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

The properties are initially recorded at cost and are subsequently revalued and stated at their fair value less accumulated depreciation and impairment losses Fair value is based on regular valuations by an external independent valuer and is determined from market-based evidence by appraisal Specialised properties have no market-based value because of their specialised nature and an income-based approach is used instead Valuations are performed with sufficient regularity (at least annually) 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 and aircraft
Plant and machinery fixtures and fittings and aircraft are all stated at cost less accumulated depreciation and impairment losses

Paintings and antiques
Paintings and antiques are stated at cost less 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 assets are depreciated over the shorter of the lease term and useful economic life 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

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 Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses

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

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

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

Derivative financial instruments and hedging activities

Derivative financial instruments, comprising interest rate swaps, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently 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

Notes to the Financial Statements

For the year ended 31 March 2011

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 and the Statement of Comprehensive Income The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months

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

Cash flow hedges

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

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

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

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

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 are earned

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

Other marine related revenue

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

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

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

Car park revenue

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

Interest Income

Interest income is recognised as it becomes receivable

Government grants
Government grants are recognised when there is reasonable assurance that the grant will be received and that the Group will comply with all conditions associated with the grant Government grants in respect of capital expenditure are credited to 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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 March 2011

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 (discontinued operations)
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 (discontinued operations)
Aircraft landing fees, fuel sales and rent

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

Trade Receivables

Trade receivables are amounts due from customers for items sold or services performed in the ordinary course of business If settlement is expected in one year or less they are classified as current assets If not they are presented as non-current assets

Trade Payables

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

Exceptional Items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance Transactions which may give rise to exceptional items are principally gains or losses on disposal of investments, subsidiaries and early termination of debt instruments

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 2010 but are not currently relevant for the Group

- IFRS 3 (revised), Business Combinations' – no impact on current activities
- IAS 27 (revised), 'Consolidated and separate financial statements – no impact on current activities
- Annual improvements to IFRS 2 Share based payments' – no impact on current activities
- Annual improvements to IFRS 5 'Non current assets held for sale and discontinued activities – no impact on current activities
- Annual improvements to IFRS 8 Operating segments – no impact on current activities
- Annual improvements to IAS 1 Presentation of financial statements – no impact on current activities
- Annual improvements to IAS 7 'Statement of cash flows – no impact on current activities
- Annual improvements to IAS 17 'Leases – no impact on current activities
- Annual improvements to IAS 18 'Revenue – no impact on current activities
- Annual improvements to IAS 36 'Impairment of assets' – no impact on current activities
- Annual improvements to IAS 38 Intangible assets – no impact on current activities
- Annual improvements to IAS 39 'Financial instruments recognition and measurement' – no impact on current activities
- Annual improvements to IFRIC 9 'Reassessment of embedded derivatives' – not applicable to current activity
- Annual improvements to IFRIC 16 Hedges of a net investment in foreign operation' – not applicable to current activity
- IFRIC 17 'Distributions of non cash assets to owners' – no impact on current activities
- IFRIC 18 Transfer of assets from customers – no impact on current activities

The following new standards, amendments to standards or interpretations have been issued, but are not effective for the financial year beginning 1 April 2010 and have not been adopted early

- Amendments to IAS 24 Related party disclosures – not applicable to current activity
- Amendments to IFRS 7, Financial instruments Disclosures' – no impact on current activities
- Amendment to IFRS 1 First time adoption' – no impact as the Group has already adopted IFRS for the first time
- Amendment to IAS 12 Income taxes – not yet endorsed
- IFRS 9 Financial instruments' – no impact on current activities
- IFRIC 19, Extinguishing financial liabilities with equity instruments – not applicable to current activity
- IFRIC 14, 'Prepayments of a minimum funding requirement' – not applicable to current activity

3 Financial risk management

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

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

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

The Board is not recommending the payment of a dividend for the year ended 31 March 2011 having suspended dividend payments for 2011 to preserve capital

The gearing ratio at the year end was as follows

	2011 £000	2010 £000
Borrowings and loans	**(21 016)**	(15,096)
Cash and cash equivalents	**1**	7
Net debt	**(21,015)**	(15,089)
Equity	**36,081**	43,133
Net debt to equity ratio	**58 2%**	35 0%

Bank borrowing facilities and financial covenants
In December 2010 the Group renewed its banking facilities with a £25m facility comprising a £15m three year term loan, a £5m two year term loan and a £5m revolving credit facility As a consequence of the cash outflow to trade Air Southwest to disposal and to fund the negative consideration on disposal, together with the funding of interest and dividend, debt and therefore gearing has increased (from 35 0% to 58 2%)

The banking facilities include financial covenants, including (i) an adjusted measure of EBITDA to interest covenant which increases from 2 0 to 2 25 in March 2012 and 2 50 in September 2012 (and increasing ultimately to 3 0 in September 2013) (ii) a debt to net tangible assets covenant and (iii) a debt to fair value of property valuation The Group's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Group should be able to operate within the level of the facilities and covenants over a period of at least twelve months The projections include the proceeds from the disposal of certain properties during that period which the Directors consider to be achievable

Liquidity risk
The Group uses financial instruments, comprising bank borrowing and various items including trade receivables and trade payables that arise directly from its operations The main purpose of these financial instruments is to raise finance for the Group's operations 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 the sale of assets

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

As at 31 March 2011	Total £000	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000
Unsecured bank loans	(15)	(15)	-	-
Bank borrowings	(1,001)	(1,001)	-	-
Bank loans	(20,000)	(1,000)	(4,000)	(15,000)
Trade and other payables	(1,256)	(1,256)	-	-
Derivative financial instruments	(67)	-	-	(67)
	(22,339)	(3,272)	(4,000)	(15,067)

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 borrowings	(14,549)	(14 549)	-	-
Trade and other payables	(4,021)	(4,021)	-	-
Derivative financial instruments	(168)	(168)	-	-
	(19,285)	(19,169)	(116)	-

Interest rate risk

LIBOR rates have been hedged at 2 15% on £15million of borrowings until 16 December 2013 by way of an interest rate swap

See note 22 for further information on the Group's interest rate exposure

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

	2011 £000	2010 £000
Trade receivables		
New customers (less than 6 months)	94	118
Existing customers (more than 6 months) with no defaults in the past	879	1 012
Existing customers (more than 6 months) with some defaults in the past	45	130
Total trade receivables	1 018	1,260
Other financial assets		
Supplier with long standing relationship with the Group	-	130
Total other financial assets	-	130
Derivative financial instruments		
Financial institutions rated A+ (Standard and Poor s)	-	100
Total derivative financial instruments	-	100

Commodity price risk

The Group has continued to experience high fuel prices throughout the year Prior to the sale of Air South West Limited the Group actively monitored fuel prices and sought to hedge future fuel price exposure when market conditions were judged favourable, however, since the disposal of Air South West Limited, the Group only acts as a reseller of fuel at the airport, fishmarket and marina The sales prices are derived from the price paid for fuel and therefore fuel price exposure is no longer considered a risk

Sensitivity analysis

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings Over the longer-term, however permanent changes in interest rates would have an impact on consolidated earnings

At 31 March 2011 it is estimated that a general increase of half a percentage point in interest rates (being the best estimate of future anticipated changes in interest rates) ignoring hedging, would have decreased the Group's profit before tax from continuing operations by approximately £104,000 (2010 £90,000) Net assets would have decreased by the same amount

Fair values

IFRS 7 requires disclosure of fair value measurements for balance sheet financial instruments by level according to the following measurement hierarchy

Level 1 Quoted prices unadjusted in active markets for identical assets or liabilities,
Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly as prices or indirectly derived from prices and
Level 3 Inputs for the asset or liability that are not based on observable market data

The Group does not hold any Level 1 or Level 2 balance sheet financial instruments

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

	Fair value 1 April 2010 £000	Disposal of Subsidiary £000	Income Statement £000	Comprehensive Income £000	Other Cash-flow Movements £000	**Total (Level 3) 31 March 2011 £000**
Financial assets						
Derivative financial instruments	**100**	(100)	-	-	-	-
Financial liabilities						
Derivative financial instruments	**68**	-	(68)	67	-	67

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 Groups balance sheet and income statement.

a) The valuation of investment property and property held for use in the business (£20 828 000 and £28,179,000 respectively)
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. Judgement is exercised in determining future rental income or profitability of the relevant properties

b) Determining the net realisable value of development property (£13,630,000)
The Board has exercised judgement in determining the net realisable value of development property, taking into account expected costs to complete and future sale proceeds, and hence whether any write-down of development property is required

c) 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 See note 13 for further information on consideration of impairment of Airport assets

d) The calculation of deferred tax assets and liabilities (Liability of £3,323,000)
The Group has not recognised deferred tax assets in respect of certain properties due to a high degree of uncertainty of the timing of when the asset may be realised

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 2011 is as follows

Continuing Operations	Marine Activities		Regeneration		Transport**		Unallocated		Consolidated	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Total external segment revenue*	**4,789**	4,235	**4,846**	11,901	**2,639**	1 519	-	-	**12,274**	17655
Operating profit/(loss) before fair value adjustments on investment property	**1,374**	1,430	**3,035**	7,279	**(904)**	(470)	**(1,204)**	(1,422)	**2,301**	6,817
Fair value adjustments on investment property	-	-	**103**	(539)	-	-	-	-	**103**	(539)
Operating profit/(loss) after fair value adjustments on investment property	**1,374**	1 430	**3,138**	6,740	**(904)**	(470)	**(1,204)**	(1 422)	**2,404**	6,278
Financial income									**1**	4
Financial expense									**(644)**	(270)
Share of loss of associate									**(50)**	-
Profit before tax for the year									**1,711**	6,012
Assets and liabilities										
Segment assets	**22,888**	22 221	**33,374**	32,872	**8,716**	17232	**1,461**	801	**66,439**	73,126
Investment in equity accounted associate									**43**	93
Tax assets									**233**	
Total assets									**66,715**	73,219
Segment liabilities	**1,586**	1,502	**480**	1 073	**3,591**	6,883	**21,654**	15,497	**27,311**	24,955
Tax liabilities									**3,323**	5,131
Total liabilities									**30,634**	30,086

	Marine Activities		Regeneration		Transport		Unallocated		Consolidated	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Other segment information										
Capital expenditure including capitalised interest										
Property, plant and equipment	**358**	325	**1**	2	**164**	2 732	**214**	65	**737**	3 124
Investment property	-	-	**174**	257	-	-	-	-	**174**	257
Depreciation	**22**	28	**4**	4	**126**	1,124	**37**	75	**189**	1,231
Amortisation	-	-	-	-	-	35	-	-	-	35
Provisions – charge to the income statement	-	-	**284**	46	-	179	-	-	**284**	225

* There is no inter-segment revenue

** The segmental disclosure has not been changed in nature from prior year as a result of discontinued operations

Unallocated assets include various property, plant and equipment (£427,000), prepayments (£392,000) trade receivables (£333,000) and other receivables (£309,000) that cannot be split between the various business segments because the revenue that the assets generate cannot be matched specifically to one individual segment

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Unallocated liabilities include the bank borrowings and loans (£21,001,000), various accruals (£144 000) trade payables (£83 000), other payables (£359,000) and derivative financial instruments (£67,000) 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 administrative costs that cannot be split between the various business segments because they are incurred in assisting the Group generate revenues across all business segments

Revenue can be divided into the following categories

	2011 £000	2010 £000
Sale of goods	4,106	2,818
Sale of land and property	3,324	10,410
Rental income	1,793	1,633
Provision of services	3,051	2 794
	12,274	17,655

Revenues of approximately £3 324,000 (2010 £10,286,000) are derived from one external customer (2010 two), representing more than 10% of the Group s revenue for the year The revenues are attributable to sales of land and property within the Regeneration segment

6 Operating profit

Group operating profit is stated after (crediting)/charging

	2011 £000	2010 £000
Staff costs	5,495	7604
Increase in provisions (note 27)	284	225
Rental income from investment property	(1,554)	(1 585)
Loss on sale of property plant and equipment	7	88
Direct operating expenses of investment property that generated rental income (including repairs & maintenance)	281	307
(Gain)/loss on remeasurement of investment property to fair value (note 15)	(103)	539
Depreciation of property, plant and equipment (note 13)	189	1 231
Amortisation of intangible assets (note 14)	-	35
Foreign exchange gain	-	(128)
Operating lease payments (note 29)	245	885
Release of deferred grant (note 24)	(37)	(40)
Compensation received	-	(250)
Impairment of development property	200	-

7 Services provided by the Company's auditors

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

	2011 £000	2010 £000
Fees payable to Company's auditors for the audit of Parent Company and consolidated financial statements	23	23
Fees payable to the Company s auditors for other services		
The audit of Company's subsidiaries pursuant to legislation	42	42
Tax services	20	31
Other Services	222	-

Other services mainly comprise corporate finance and tax fees in relation to the disposal of Air South West Limited and the arrangement of new bank facilities during the year Refer to the Audit Committee section in the Corporate Governance Report for consideration of the independence of the auditors

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 2011	2010
Marine Activities	20	21
Property and Regeneration	8	8
Transport	124	180
Administration	17	18
	169	227

The aggregate payroll costs of these persons were as follows	2011 £000	2010 £000
Wages and salaries	4,834	6 571
Share based payments (See note 26)	(55)	38
Social security costs	461	638
Other pension costs (See note 26)	255	357
	5,495	7,604

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

	2011 £000	2010 £000
Fees	122	140
Other Emoluments	419	346
Pension Contributions	34	34
	575	520

Further details of Director s remuneration are given in the Remuneration Report on pages 30 to 32, which forms part of these financial statements

9 Financial income and financial expense

	2011 £000	2010 £000
Other finance income	1	4
Finance income	1	4
Bank borrowings finance costs	644	270
Finance costs	644	270

Borrowing costs capitalised in the year amounted to £198,000 (2010 £422 000)

Notes to the Financial Statements

For the year ended 31 March 2011

10 Taxation

	2011 £000	2010 £000
Current tax		
Current tax on profits for the year	527	596
Adjustments in respect of previous years	(545)	269
Total current tax	(18)	865
Deferred tax		
Origination and reversal of temporary differences (note 19)	28	655
Change in tax rate to 26%	(254)	-
Total deferred tax (note 19)	(226)	655
Total tax in income statement	(244)	1,520

As a result of the change in the UK main corporation tax rate from 28% to 26% that was substantively enacted on 29 March 2011 and that is effective from 1 April 2011 the relevant tax balances have been re-measured

Further reductions to the UK corporation tax rate were announced in the March 2011 budget The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by April 2014 The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in the financial statements

The tax assessed for the year is lower (2010 lower) than the standard rate of corporation tax in the UK of 28%

Reconciliation of effective tax rate	2011 £000	2010 £000
Profit before tax	1,711	6,012
Tax using the UK corporation tax rate of 28% (2010 28%)	479	1,683
Expenses not deductible for tax purposes	(16)	24
Capital losses utilised	(56)	(165)
Adjustments to tax charge in respect of previous years - Corporation tax	(545)	269
- Deferred tax	148	(291)
Change in deferred tax rate to 26%	(254)	-
Total tax in income statement	(244)	1,520

11 Dividends paid on equity shares

The following dividends were declared and paid by the Group

	2011 £000	2010 £000
Ordinary shares		
Final dividend paid in respect of year ended 31 March 2010 but not recognised as a liability in that year 1 0p per share (2010 Final dividend paid in respect of year ended 31 March 2009 but not recognised as a liability in that year, 1 0p per share)	629	506
Interim dividend paid in respect of the year ended 31 March 2011 0 0p per share (2010 Interim dividend in respect of the year ended 31 March 2010 0 9p per share)	-	566
Aggregate of dividends paid in the year	629	1,072

The Board of Directors proposes a final dividend on profit for the year ended 31 March 2011 of nil per share (£nil) which together with the interim dividend of nil per share (£nil) gives a total dividend for the year of nil per share (£nil)

12 Earnings/(loss) per share

	2011 pence	2010 pence
Continuing operations		
Basic earnings per share	3 11p	7 79p
Diluted earnings per share	3 11p	7 79p
Discontinued operations		
Basic loss per share	(13 36)p	(4 15)p
Diluted loss per share	(13 36)p	(4 15)p

Basic earnings per share

Basic earnings per share have been calculated using the profit for the year of £1,955,000 (2010 profit of £4,492,000) for the continuing operations, and the loss for the period of £8,407 000 (2010 loss of £2,391,000) for the discontinued operations The average number of ordinary shares in issue, excluding those options granted under the SAYE scheme of 62,943,752 (2010 57,657,501) has been used in our calculation

Diluted earnings per share

Diluted earnings per share uses an average number of 62,943,752 (2010 57,657,501) 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 (2010 none), is calculated as follows

	2011	2010
Weighted average number of shares at 31 March	**62,943,752**	57,657 501
Effect of share options in issue	-	-
Weighted average number of ordinary shares (diluted) at 31 March	**62,943,752**	57,657 501

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

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 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
Balance at 1 April 2010	22,729	5 016	4,407	10 058	90	42,300
Additions	356	92	289	-	-	737
Revaluations	114	(48)	-	-	-	66
Disposals	-	-	(1,699)	(10,058)	-	(11,757)
Balance at 31 March 2011	**23,199**	**5,060**	**2,997**	**-**	**90**	**31,346**
Accumulated depreciation						
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
Balance at 1 April 2010	-	66	2 340	1,923	-	4,329
Depreciation charge for the year	-	14	175	-	-	189
Disposals	-	-	(719)	(1,923)	-	(2,642)
Balance at 31 March 2011	**-**	**80**	**1,796**	**-**	**-**	**1,876**
Net book value						
At 1 April 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
At 31 March 2011	**23,199**	**4,980**	**1,201**	**-**	**90**	**29,470**

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 2011 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 2011 specialised properties had a net book value of £27,175,000 (2010 £26,675,000) Non-specialised properties had a net book value of £1,004,000 (2010 £1,004 000)

At 31 March 2011, had the freehold land and buildings been measured using the cost model (historical cost less accumulated depreciation and accumulated impairment losses), their carrying value would be £19,177,000 (2010 £18,821,000)

At 31 March 2011, 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 £4,180,000 (2010 £4 087,000)

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

Security

Land and buildings with a carrying amount of £28 1million (2010 £27 7million) have been pledged to secure borrowings of the Group (see note 22)

In the prior year, Aircraft with a carrying amount of £8 1million were pledged to secure borrowings to purchase the aircraft (see note 23)

Impairment test of airport related assets
IAS 36 Impairment of Assets requires impairment tests to be performed for relevant Cash Generating Units (CGU) where there is an indication there may be an impairment. For this purpose, the Group considers the airport to be a CGU and the announced intention to close the airport to be an indicator that there may be impairment.

The airport CGU assets primarily relate to property, plant and equipment, development property included in inventories (see further detail below) and consumable stocks

The carrying values of the airport CGU assets have been compared to their recoverable amount. The recoverable amount is the higher of the value in use and the 'fair value less costs to sell of the CGU

Given the expectation of closure by December 2011, the Directors consider that the 'fair value less cost to sell is higher than the value in use' In reaching this conclusion the Directors have taken into consideration the terms of the lease with Plymouth City Council, the freeholder, which determines how the proceeds will be shared between the leaseholder and the freeholder and have made various sensitised projections of the proceeds, net of costs which would be obtainable from the eventual sale of the site The projections take account of the discounting of projected cash flows

Whilst understanding the timescales involved, which could extend to a period of several years following closure, and the uncertainty over the ultimate future outcome for alternative use of the site, the Directors remain satisfied that the 'fair value less costs to sell is higher than the carrying value of the CGU

Airport development property included in inventory
The carrying value of the airport development property included in inventory of £4 457m includes an allocation of the professional costs incurred in the 2008 masterplanning of the airport which the Directors have attributed to the current operational airport site as opposed to the surplus land that is being sold in tranches.

Where the costs are not separable between the operational' and 'surplus land' elements they have been allocated on an area basis

In addition to the costs already incurred the development property also includes an allocation (on an area basis) of the costs yet to be incurred to fulfil obligations to construct a link road and other infrastructure improvements.

14 Intangible assets

	Landing rights £000	Licences £000	Total £000
Cost			
Balance at 1 April 2009 and 31 March 2010	600	95	695
Balance at 1 April 2010	600	95	695
Disposals	(600)	(95)	(695)
Balance at 31 March 2011	-	-	-
Accumulated amortisation			
Balance at 1 April 2009	161	27	188
Amortisation charge for the year	30	5	35
Balance at 31 March 2010	191	32	223
Balance at 1 April 2010	191	32	223
Disposals	(191)	(32)	(223)
Balance at 31 March 2011	-	-	-
Net book value			
At 1 April 2009	439	68	507
At 31 March 2010	409	63	472
At 31 March 2011	-	-	-

Amortisation charge

The amortisation charge was recognised in the following line items in the income statement.

	2011 £000	2010 £000
Cost of sales	-	35

Landing Rights and Licences were amortised over their estimated useful economic life of 20 years

Landing rights included a requirement to fly a certain number of flights per season

All intangible assets were acquired by the Group but have been disposed of during the year as a result of the disposal of Air South West Limited

15 Investment property

At fair value	2011 £000	2010 £000
Balance at the beginning of the year	20,551	20,833
Additions – arising from capitalised subsequent expenditure	174	257
Fair value adjustments	103	(539)
Balance at the end of the year	**20,828**	20,551

Investment property is measured using the fair value model as set out in note 2 The fair value of the Group's investment property at 31 March 2011 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 Group s investment property is held under freehold interests with the exception of six properties which are held under long leaseholds

The fair values of specialised and non-specialised properties were £10,113 000 (2010 £9,416,000) and £10,715,000 (2010 £11,135,000), respectively, as at 31 March 2011

16 Investments

The Group 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	**nil%****	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%	Investment Company
Associates				
Express Lift Investments Limited	Ordinary	**40%***	40%	Associate Holding Company
Elift Cumbria Limited	Ordinary	**24%***	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, with the exception of Air South West Limited whose year end date has been changed to 31 December since the disposal of the share capital

* During the prior 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 2011 neither company had commenced trading although they have been incurring costs and the Group's share of net assets of £43 000 (2010 £93 000) has been recognised in the financial statements

** During the year Sutton Harbour Holdings plc disposed of 100% of the share capital of Air South West Limited See note 30 for further information

17 Other financial assets

	2011 £000	2010 £000
Non-current		
Bond	-	130

The Group had given guarantees and placed a bond in favour of an aircraft leasing company to the sum of £130,000 which was terminated upon the disposal of Air South West Limited on 30 November 2010 The bond was shown within other financial assets The bond was in relation to the leased aircraft and protected 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

18 Derivative financial instruments

	Assets		Liabilities	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Current				
Forward foreign exchange contracts – cash flow hedges	-	11	-	-
Cash-settled fuel commodity swaps – cash flow hedges	-	89	-	-
Interest rate swaps – cash flow hedges	-	-	-	(168)
Total current derivative financial instruments	-	100	-	(168)

	Assets		Liabilities	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Non-current				
Interest rate swaps – cash flow hedges	-	-	**(67)**	-
Total non-current derivative financial instruments	-	-	**(67)**	-

The Group utilises the following derivatives for economic hedging purposes

- A hedge of interest payments by interest rate swaps hedging future interest rate risk

Prior to the disposal of Air South West Limited, the Group also utilised derivatives for economic hedging purposes, as noted below

- 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

All hedges are remeasured to fair value as at the balance sheet date

The fair value of hedges as at 31 March 2011 was as follows

Hedges of interest payments by interest rate swaps hedging future interest rate risk
Fair value of financial liability of £67,000, contract for £15million at 2 15% based on the GBP LIBOR rate ruling each month between 20 December 2010 and 16 December 2013

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

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	
	2011	2010	**2011**	2010	**2011**	2010
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**-**	-	**(1,931)**	(3489)	**(1,931)**	(3,489)
Investment property	**368**	387	**(1,788)**	(1,665)	**(1,420)**	(1 278)
Employee benefits	**11**	22	**-**	-	**11**	22
Deferred government grants	**-**	3	**-**	-	**-**	3
Other	**17**	38		-	**17**	38
Tax assets / (liabilities)	**396**	450	**(3,719)**	(5 154)	**(3,323)**	(4,704)

Movement in deferred tax during the year

	1 April 2010 £000	Change in deferred tax rate £000	Recognised in income £000	Recognised in equity £000	Disposal Air South West Limited £000	31 March 2011 £000
Property, plant and equipment	(3 489)	168	252	-	1 138	**(1,931)**
Investment property	(1,278)	91	(233)	-	-	**(1,420)**
Employee benefits	22	(2)	(9)	-	-	**11**
Deferred government grants	3	-	(3)	-	-	**-**
Other	38	(3)	(35)	17	-	**17**
	(4 704)	254	(28)	17	1,138	**(3,323)**

Deferred tax assets of £646,000 (2010 £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

	2011 £000	2010 £000
Stores and materials	**249**	512
Goods for resale	**117**	64
Development property	**13,630**	10,739
	13,996	11 315

Included within inventories is £12,223 000 (2010 £9017000) expected to be recovered in more than 12 months
Inventories to the value of £4,141,000 were recognised as an expense in the year (2010 £7,052 000)
Interest capitalised during the year in relation to development property was £198,000 (2010 £422,000)

21 Trade and other receivables

	2011 £000	2010 £000
Trade receivables	1,068	1 289
Provision for impairment of trade receivables	(50)	(29)
	1,018	1,260
Other receivables	362	230
Prepayments and accrued income	764	1,090
	2,144	2,580

Included within trade and other receivables is £77 000 (2010 £225,000) 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

	2011 £000	2010 £000
At the beginning of the year	29	93
Provision for receivables impairment	21	5
Receivables written off during the year as uncollectable	-	(48)
Unused amounts reversed	-	(21)
At the end of the year	50	29

The ageing of trade receivables that have not been provided for are	2011 £000	2010 £000
Not yet due		
0 – 29 days	635	670
Overdue		
30 – 59 days	266	451
60 – 89 days	7	2
90 – 119 days	65	26
120 + days	45	111
	1,018	1,260

As at 31 March 2011, trade receivables of £383,000 (2010 £590,000) were past due but not impaired (as disclosed in the above table) These relate to a number of independent customers for whom there is no recent history of default

Included within trade receivables are US$ balances totalling £nil (2010 £nil) and Euro balances totalling £nil (2010 £11,000) These balances were converted into sterling using the spot rate as at 31 March

22 Cash and cash equivalents

	2011 £000	2010 £000
Cash and cash equivalents per balance sheet	1	7
Bank borrowings	(1,001)	(14 549)
Cash and cash equivalents per cash flow statement	(1,000)	(14,542)

Analysis by currency	2011 £000	2010 £000
Sterling	(1,000)	(14,655)
US Dollars	-	61
Euro	-	52
	(1,000)	(14,542)

Included in bank borrowings is £75,000 that is held in an escrow account This cash is restricted in its use

At 31 March 2011, the Group had an agreed bank facility of £25 0million (2010 £25 0million) The facility incurs interest charged at rates over LIBOR during the term of the facilities LIBOR rates have been hedged on £15million of the £25million facility for the term of the facility by way of an interest rate swap

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

Undrawn facilities

	2011 £000	2010 £000
Expiring within one year	-	10 139
Expiring within one to two years	3,878	-
	3,878	10,139

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

	2011 £000	2010 £000
Current liabilities		
Secured bank loans	1,000	325
Unsecured bank loans	15	106
	1,015	431
Non-current liabilities		
Secured bank loans	19,000	-
Unsecured bank loans	-	116
	19,000	116

Secured bank loans.
The prior year secured bank loans related to aircraft loans The two loans were in sterling and were repayable by instalments of £25,000 plus interest per month and £50 000 plus interest per month Interest was charged on the loans at GBP 3 month LIBOR plus 1% The maturity and repayment dates of the loans were February 2011 and April 2010 respectively The loans were secured on three of the Groups Dash 8 aircraft These loans were transferred with Air South West Limited on disposal of the subsidiary

The current year secured bank loan relates to the £15m three year loan and the £5m two year loan, which incur interest at rates over LIBOR during the term of the facilities LIBOR rates have been hedged on £15million of the £25million facility for the term of the facility by way of an interest rate swap

Unsecured bank loans.
The unsecured bank loans are in sterling and are repayable by instalments

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 total amount received was £804,000 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	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
At the beginning of the year	**3,733**	3 647	**724**	315
Released to the income statement	**(3,733)**	(3,647)	**(37)**	(40)
Income and grants received and deferred	**1,481**	3733	**-**	449
At the end of the year	**1,481**	3733	**687**	724
Current	**1,481**	3,733	**36**	39
Non current	**-**	-	**651**	685
	1,481	3,733	**687**	724

25 Trade and other payables

	2011 £000	2010 £000
Trade payables	740	2 921
Other trade payables	56	73
Other taxation and social security costs	168	988
Accruals	460	1,027
	1,424	5,009

Included within trade payables are US$ balances totalling £nil (2010 £183,000) and Euro balances totalling £nil (2010 £115 000) These balances were converted into sterling using the spot rate as at 31 March

26 Employee benefits

Pension plans

Defined contribution plans

The Group operates a number of defined contribution pension plans

The total expense relating to these plans in the current year was £255,000 (2010 £357,000) There were no amounts outstanding or prepaid at the year end (2010 £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 2011	Grant date	Exercise price	Vesting period	Date from which exercisable	Expiry date
2005 SAYE share option scheme – 5 year plan	34,808	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	36,975	29 Jan 2008	81 0p	3 years	1 Mar 2011	31 Aug 2011
2008 SAYE share option scheme – 5 year plan	141,446	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 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at the beginning of the year	85 6p	574,404	84 1p	656 464
Cancelled during the year	87 3p	(306,306)	87 9p	(60 444)
Exercised during the year	N/A	-	34 0p	(21,616)
Granted during the year	N/A	-	N/A	-
Outstanding at the end of the year	83 7p	268,098	85 6p	574 404
Exercisable at the end of the year	86 6p	71,783	N/A	-

The weighted average share price at the date of exercise of share options exercised during the period was nil (2010 57 5p)

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 07 years (2010 2 37 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	5 year plan	7 year plan
Fair value at measurement date	34 7p	36 5p	39 5p	45 5p	48 5p
Grant date share price	101 5p	101 5p	101 5p	115 5p	115 5p
Exercise price	81 0p	81 0p	81 0p	92 5p	92 5p
Expected volatility	33 3%	26 9%	25 6%	32 36%	30 72%
Expected life	3 11yrs	5 11yrs	7 11yrs	5 12yrs	7 12yrs
Dividend yield	1 50%	1 50%	1 50%	1 39%	1 39%
Risk-free interest rate	4 13%	4 21%	4 30%	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

	2011 £000	2010 £000
Equity settled share-based payments	(55)	38

27 Provisions for other liabilities and charges

	Airport works 2011 £000	Maintenance on leased aircraft 2011 £000	Onerous provision 2011 £000	Total provision 2011 £000
Balance at the beginning of the year	-	179	46	225
Provisions made during the year	2,574	-	16	2,590
Provisions used during the year	-	(179)	-	(179)
Balance at the end of the year	2,574	-	62	2,636
Non-current	-	-	-	-
Current	2,574	-	62	2,636
	2,574	-	62	2,636

Maintenance on leased aircraft provision (discontinued operations)

Provision was made for contractually required major maintenance overhauls on leased aircraft which were expected to be undertaken in the forthcoming financial year This is no longer required as the airline Air South West Limited, was disposed of during the year

Onerous lease 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

Airport works

Provision has been made for works required to be carried out which were a condition of the planning consent for development on surplus airport land An asset of £2 306m was included in development property within inventory during the year

28 Capital and reserves

Share capital

Thousands of shares	Ordinary Shares **2011**	2010
In issue at the beginning of the financial year	**62,944**	50 561
Issued for cash	**-**	12,383
In issue at the end of the financial year – fully paid	**62,944**	62,944

	2011 **£000**	2010 £000
Authorised		
100,000 000 (2010 100 000,000) Ordinary shares of 25p each	**25,000**	25,000
Allotted called up and fully paid		
62,943,752 (2010 62,943 752) Ordinary shares of 25p each	**15,736**	15 736

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

Issues of shares during 2010
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 There were no share options exercised in the current year

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 prior 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

	2011 £000	2010 £000
Less than one year	222	737
Between one and five years	318	504
	540	1,241

The Group leased two Dash 8 aircraft under operating leases which expired in 2010 These leases are no longer relevant for the Group since the disposal of Air South West Limited during the year

During the year £245,000 was recognised as an expense in the income statement in respect of operating leases (2010 £885,000)

Included within operating lease rentals is an amount due in relation to the lease of part of a property which has been sublet. Income will therefore be generated to offset some of these lease rental amounts 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 and 15) The future minimum lease rentals receivable under non-cancellable leases are as follows

	2011 £000	2010 £000
Investment property		
Less than one year	785	694
Between one and five years	2,821	2 700
More than five years	22,611	23,266
	26,217	26 660
Owner-occupied properties		
Less than one year	112	66
Between one and five years	102	20
More than five years	57	58
	271	144

Total contingent rents recognised in the year were £6,000 (2010 £5,000) Contingent rents are determined by reference to specific clauses within the leases

During the year ended 31 March 2011 £1 554 000 (2010 £1,585,000) was recognised as rental income in the income statement Repair and maintenance expense recognised in cost of sales for the year to 31 March 2011 was £123 000 (2010 £126,000)

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

30 Discontinued Operations

Sutton Harbour Holdings plc announced on 25 May 2010 its intention to sell the airline subsidiary, Air South West Limited Contracts for sale and purchase of the airline were exchanged on 17 September 2010 with Eastern Airways International Limited with the effective date of control passing being 30 September 2010 The sale was completed on 30 November 2010

The net profit or loss that accrued from 1 October 2010 to 30 November 2010 will accrue to Eastern Airways International Limited in accordance with the terms of the sale and purchase agreement.

The results of the airline to 30 September 2010 and loss on disposal are shown below

Income Statement

	2011 £000	2010 £000
Discontinued operations		
Revenue	10,403	21,619
Cost of sales	(12,648)	(25,256)
Gross loss	(2,245)	(3 637)
Other operating income	-	250
Administrative expenses	-	(88)
Operating loss	(2,245)	(3,475)
Financial income	1	7
Financial expense	(5)	(29)
Net financing costs	(4)	(22)
Trading loss before tax from discontinued operations	(2,249)	(3,497)
Taxation on trading loss from discontinued operations	561	1,106
Trading loss after tax from discontinued operations	(1,688)	(2,391)
Pre tax loss on disposal of Air South West Limited	(6,719)	-
Loss after tax from discontinued operations	(8,407)	(2,391)

Cash flows

	2011 £000	2010 £000
Cash flows from discontinued operations		
Operating	(3,139)	(586)
Investing	(1,928)	(2,136)
Financing	(238)	(954)
Net cash outflow	(5,305)	(3,676)

Notes to the Financial Statements

For the year ended 31 March 2011

31 Cash flow statements

	2011 £000	2010 £000
Cash flows from operating activities		
Profit for the year from continuing operations	1,955	2 101
Adjustments for		
Taxation on loss from continuing activities	(244)	414
Financial income	(1)	(11)
Financial expense	644	299
Fair value adjustments on investment property	(103)	539
Gain on ineffective portion of cash flow hedge	-	217
Depreciation and amortisation	189	1,266
Amortisation of grants	(37)	(40)
Impairment of development property	200	-
Loss on sale of property, plant and equipment	7	88
Equity settled share-based payment expenses	(55)	38
Grants received	-	449
Cash generated from continuing operations before changes in working capital and provisions	2,555	5 360
Increase in inventories	(456)	(512)
(Increase)/decrease in trade and other receivables	(519)	569
Decrease in trade and other payables	(598)	(1,067)
Increase in deferred income	18	86
Increase/(decrease) in provisions	284	(112)
Cash generated from continuing operations	1,284	4,324

32 Capital commitments

The Group has entered into an agreement to fit out the leased floors of Salt Quay house As at 31 March 2011 the cost is estimated to be £183,000

33 Contingencies

On 26 October 2007 the Group entered into an agreement with the BBC to construct a 22,000 sq ft office building by a longstop date of December 2012 To date, the Group has not contracted for the construction of this development although it has agreed heads of terms with a developer In the event that the development was not constructed (which the Director's consider to be unlikely) it is probable that a settlement would be made with the BBC

In April 2011 the Group announced its intention to cease operations at Plymouth City Airport by the end of 2011 This action will be subject to meeting terms of the lease and closure costs would include redundancies of staff and other decommissioning costs of the facility

In the event that the airport is closed, the Group is obligated to work with the freeholder to obtain best value for the land through alternative use and the Group is satisfied that carrying value of the assets will be exceeded on eventual disposal, as set out in note 13 In addition, the government grants of £804,000 (see note 24) would be subject to claw-back, settled out of the proceeds on the disposal

34 Related parties

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

Transactions with key management personnel
Executive Directors of the Company and their immediate relatives control 0 40% of the voting shares of the Company

The compensation of key management personnel (the Executive Directors) is as follows

	2011 £000	2010 £000
Short term employee benefits including social security costs and taxable benefits	420	390
Company contributions to money purchase pension schemes	34	34
Share based payment (credit)/charge	-	2
	454	426

The key management personnel can participate in the Company s Save As You Earn (SAYE) scheme Details of the outstanding SAYE options of key management personnel is as follows

	At 1 April 2010	Number of options granted during the year	Number of options lapsed during the year	Number of options cancelled during the year	At 31 March 2011	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 credit of £278 (2010 charge of £1,622)

Mr D McCauley/Rotolok (Holdings) Limited (Rotolok") is the Group s largest shareholder holding 25 69% 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 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

35 Subsequent events

Since the year end the Board has announced its intention to cease the operation of Plymouth City Airport by the end of 2011

Historical Information

For the year ended 31 March 2011

	2011 £000	2010 (reflecting discontinued operations) £000	2010 (as originally reported) £000	2009 £000	2008 £000	2007 £000
Net Assets	**36,081**	43,133	43,133	35,414	39,684	35,293
Revenue	**12,274**	17,655	39,274	29 262	29,237	29 259
Operating profit/(loss) before fair value adjustments on investment property	**2,301**	6,817	3,342	(609)	2,232	1 949
Fair value adjustments on investment property	**103**	(539)	(539)	(2,787)	2 828	2,200
Operating profit/(loss) after fair value adjustments on investment property	**2,404**	6,278	2 803	(3,396)	5 060	4,149
Net financing costs (excludes joint ventures/associates)	**(643)**	(266)	(288)	(867)	(584)	(846)
Profit/(loss) before tax on continuing activities	**1,711**	6,012	2,515	(3 450)	5,457	3 289
Loss from discontinued activities	**(8,407)**	(2,391)	-	-	-	-
Profit/(loss) attributable to equity shareholders	**(6,452)**	2,101	2,101	(2 454)	4,573	2 502
Dividends paid	**629**	1 072	1,072	1,212	1 098	950
Basic earnings per share	**(10 25)p**	3 64p	3 64p	(4 86)p	9 10p	Δ5 13p
Diluted earnings per share	**(10 25)p**	3 64p	3 64p	(4 86)p	8 94p	Δ5 02p
Dividends paid and proposed per ordinary share (adjusted for changes in issued share capital)	**1 0p**	1 9p	1 9p	1 9p	2 4p	Δ2 03p

Δ Adjusted for the one for one capitalisation issues

Independent Auditors' Report

For the year ended 31 March 2011

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 2011 which comprise 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 Statement of Directors Responsibilities set out on page 34, 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 and express an opinion on 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 In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011,
- 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

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 Pai ent 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 2011

Colin Bates (Senior Statutory Auditor)
for and behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
15 June 2011

Company Balance Sheet

As at 31 March 2011

	Note	2011 £000	2010 £000
Fixed assets			
Investments	e	4,791	4,884
		4,791	4,884
Current assets			
Debtors	f	21,325	22 638
Cash at bank and in hand		35	16
		21,360	22 654
Current liabilities			
Creditors amounts falling due within one year	g	(2,321)	(7,020)
Net current assets		19,039	15,634
Total assets less current liabilities		23,830	20 518
Creditors amounts falling due after more than one year	h	(4,000)	-
Net assets		19,830	20,518
Capital and reserves			
Called up share capital	i	15,736	15,736
Share premium account	j	12	12
Share-based payment reserve	j	96	151
Hedging reserve	j	-	(67)
Merger Reserve	j	3,620	3 620
Profit and loss account	j	366	1,066
Total shareholders' funds	k	19,830	20,518

The notes on pages 75 to 82 are an integral part of these financial statements

The Financial Statements were approved by the Board of Directors on 14 June 2011 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 2011

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 in the United Kingdom

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 36 to 71 of this document

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future The Company therefore continues to adopt the going concern basis in preparing its 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

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. Impairment reviews are performed by Directors when there has been an indication of potential 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 (loss)/profit for the year for the Company alone is given in note k

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

The Company has also taken advantage of the convention that parent companies do not prepare 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)

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

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 profit and loss account within financing costs Amounts accumulated in equity are recycled to the profit and loss account 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 profit and loss account 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 profit and loss account

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 profit and loss account

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 profit and loss account

b) Services provided by the Company's auditors

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

Current auditors	2011 £000	2010 £000
Fees payable to Company's auditor for the audit of Parent Company financial statements	5	3
Fees payable to the Company's auditor for other services		
Tax services	3	3
Other services	4	-

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 report remuneration on pages 30 to 32 of this document.

d) Dividends

The following dividends were declared and paid by the Company

	2011 £000	2010 £000
Ordinary shares		
Final dividend paid in respect of year ended 31 March 2010 but not recognised as a liability in that year 1 0p per share (2010 Final dividend paid in respect of year ended 31 March 2009 but not recognised as a liability in that year, 1 0p per share)	629	506
Interim dividend paid in respect of the year ended 31 March 2011 0 0p per share (2010 Interim dividend in respect of the year ended 31 March 2010 0 9p per share)	-	566
Aggregate of dividends paid in the year	629	1,072

The Board of Directors proposes a final dividend on profit for the year ended 31 March 2011 of nil per share (£nil) which, together with the interim dividend of nil per share (£nil), gives a total dividend for the year of nil per share (£nil) 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 2010	93	4791	4,884
Equity accounting adjustment	(50)	-	(50)
Disposals	-	(98)	(98)
Share-based payments to employees of subsidiary undertakings	-	55	55
As at 31 March 2011	**43**	**4,748**	**4,791**

Subsidiary and associate companies

At 31 March 2011, the Company has the following investments in subsidiaries and associates

	Class of shares held	Ownership 2011	2010	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	**nil%****	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%***	40%	Associate Holding Company
Elift Cumbria Limited	Ordinary	**24%***	24%	Health Care Premises

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

The year ends of the above companies are the same as the parent company

* During the prior 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 2011 neither company had commenced trading, although they have been incurring costs and the Group's share of net assets of £43,000 (2010 £93,000) has been recognised in the financial statements

** During the year Sutton Harbour Holdings plc disposed of 100% of the share capital of Air South West Limited

f) Debtors

	2011 £000	2010 £000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**21,041**	22 576
Other debtors and prepayments	**284**	62
Total debtors	**21,325**	22,638

g) Creditors. amounts falling due within one year

	2011 £000	2010 £000
Bank borrowings	**2,300**	6,135
Amounts owed to subsidiary undertakings	**-**	317
Corporation tax	**-**	475
Other creditors	**21**	26
Derivative financial instruments	**-**	67
Total creditors	**2,321**	7,020

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

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

h) Creditors amounts falling due after more than one year

	2011 £000	2010 £000
Bank borrowings	4,000	-
Derivative financial instruments	-	-
	4,000	-

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

i) Called up share capital

	Ordinary shares	
In thousands of shares	2011	2010
In issue at the beginning of the financial year	62,944	50,561
Issued for cash	-	12 383
In issue at the end of the financial year – fully paid	**62,944**	62,944

	2011 £000	2010 £000
Authorised		
100,000,000 (2010 100 000,000) Ordinary shares of 25p each	25,000	25,000
Allotted, called up and fully paid		
62,943,752 (2010 62,943 752) Ordinary shares of 25p each	15,736	15,736

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 Group employees exercised share options under the Group s 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 Company s 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 Company s merger reserve

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

Notes to the Company Financial Statements

For the year ended 31 March 2011

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 2010	12	3,620	151	(67)	1,066
Unrealised gain relating to the share-based payment schemes	-	-	(55)	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	67	-
Loss for the financial year (note k)	-	-	-	-	(71)
Dividends (note d)	-	-	-	-	(629)
Balance at 31 March 2011	**12**	**3,620**	**96**	**-**	**366**

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

	2011 £000	2010 £000
(Loss)/profit for the financial year	(71)	883
Dividends (see note d)	(629)	(1 072)
Retained loss for the year	(700)	(189)
Net proceeds of share issue (note i)	-	6 718
Share-based payments value of subsidiary undertakings employee services	(55)	38
Effective portion of changes in fair value of cash flow hedges	67	27
Net (reduction in)/addition to shareholders funds	(688)	6,594
Opening shareholders funds	20,518	13,924
Closing shareholders' funds	**19,830**	20,518

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

The terms and conditions of the grants are as follows

Scheme	Number of instruments as at 31 Mar 2011	Grant date	Exercise price	Vesting period	Date from which exercisable	Expiry date
2005 SAYE share option scheme – 5 year plan	34,808	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	36,975	29 Jan 2008	81 0p	3 years	1 Mar 2011	31 Aug 2011
2008 SAYE share option scheme – 5 year plan	141,446	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 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at the beginning of the year	**85 6p**	**574,404**	84 1p	656 464
Cancelled during the year	**87 3p**	**(306,306)**	87 9p	(60,444)
Exercised during the year	**N/A**	**-**	34 0p	(21,616)
Granted during the year	**N/A**	**-**	N/A	-
Outstanding at the end of the year	**83 7p**	**268,098**	85 6p	574,404
Exercisable at the end of the year	**86 6p**	**71,783**	N/A	-

The weighted average share price at the date of exercise of share options exercised during the period was nil (2010 57 5p)

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 07 years (2010 2 37 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 2011

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	5 year plan	7 year plan
Fair value at measurement date	34 7p	36 5p	39 5p	45 5p	48 5p
Grant date share price	101 5p	101 5p	101 5p	115 5p	115 5p
Exercise price	81 0p	81 0p	81 0p	92 5p	92 5p
Expected volatility	33 3%	26 9%	25 6%	32 36%	30 72%
Expected life	3 11yrs	5 11yrs	7 11yrs	5 12yrs	7 12yrs
Dividend yield	1 50%	1 50%	1 50%	1 39%	1 39%
Risk-free interest rate	4 13%	4 21%	4 30%	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 and treated as an addition to investments in subsidiaries for the year arising from share-based payments is as follows

	2011 £000	2010 £000
Equity settled share-based payments	(55)	38

m) Contingencies

The Company has given an unlimited guarantee in respect of bank borrowings of all subsidiary companies At 31 March 2011, these borrowings amounted to £14,752,000 (2010 £8,726 000)

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 36 to 71 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 board has announced its intention to cease the operation of Plymouth City Airport by the end of 2011, the lease of which is held by Plymouth City Airport Limited, a subsidiary of the Company