



SUTTON HARBOUR GROUP

2020

INTERIM REPORT



STRATEGIC REPORT

THE GROUP AT A GLANCE

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

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

MARINE

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

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

The location of Sutton Harbour, in central Plymouth and adjoining the historic Barbican quarter, has undergone two main phases of regeneration over the past 3 decades.

The first phase to unlock the potential of the area was realised when Sutton Lock was installed in 1992 creating a usable depth of water, followed by the relocation of the fishmarket to the eastern side in 1995.

The second phase included the development of high quality residential and commercial buildings overlooking the harbour, and improvements to berthing facilities, adding to the attractiveness of the area, including retail and leisure facilities, to create a long term sustainable location for business, leisure and living.

The third phase is now underway, with the Group now focused on bringing forward further regeneration in accordance with three major planning permissions to deliver new residential, retail and car parking on the east side of Sutton harbour. These will extend the waterfront facilities with the added attraction of new residences to enhance Sutton Harbour as a

destination of regional importance within the South West region. In addition, the Group has submitted preliminary application for planning permission for the regeneration of additional lands with additional housing and retail that will be integrated with these developments.

King Point Marina

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

REAL ESTATE

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

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

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

The Group has been active in establishing a business community around the northern side of Sutton Harbour and has been successful in attracting a number of established professional service firms, in the legal, accounting and financial services.

CAR PARKING

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

REGENERATION

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

Sutton Harbour

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

Former Airport Site

In 2000, the Group purchased Plymouth City Airport Limited and a long lease of the regional airport site. In 2003 the Group set up and operated the regional airline, Air Southwest which was subsequently sold in November 2010 to Eastern Airways International Limited (Eastern Airways). On 28 July 2011 Air Southwest (under the ownership of Eastern Airways) ceased flights in and out of Plymouth City Airport.

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

GOVERNANCE

DIRECTORS AND ADVISORS

Company Number

2425189

Directors

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

Secretary

Natasha C. Gadsdon

Registered Office

Sutton Harbour Office
Guy's Quay Office
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STRATEGIC REPORT

EXECUTIVE CHAIRMAN'S STATEMENT

RESULTS AND FINANCIAL POSITION

Profit before taxation for the six month period to 30 September 2020 was £0.058m, down £0.223m from £0.281m for the comparative period to 30 September 2019.

As at 30 September 2020, net assets were £46.140m compared to £46.082m, as last reported as at 31 March 2020, and this represents a net asset value of 39.8p per share (31 March 2020: 39.7p per share). There has been no re-valuation of assets during the reporting period, with the next external independent valuation due to be undertaken at the financial year end.

Net debt has increased to £24.472m, up by £0.881m from £23.591m at 31 March 2020. This budgeted movement reflects the lower point in the annual cash cycle (as rents and annual berthing fee receipts peak between January and April) and expenditure on pre-construction costs in connection with new development schemes due to be submitted to the local planning authority in the coming weeks and with other previously consented schemes. This has resulted in a rise in gearing to 53.0% as at 30 September 2020 up from 51.1% as at 31 March 2020.

To ensure continuity of financing the Group had already entered into a new 4 year facility agreement in December 2019 and a further £2.0million borrowing facility through to May 2021 to provide working capital during the Covid pandemic. Funding for consented projects will be funded by separate development financing.

TRADING REPORT

The Group's business activities have been affected by the Covid pandemic during the first half year but with impacts varying across the different trading segments. The marinas have performed well with overall results exceeding the comparative period last year arising from an increase in annual berths sales. The car parks were materially affected by the lock-down for the period of April, May and June, and this is the main reason for the fall in group revenue during the first half year; trade bounced back quickly to normal seasonal levels once lockdown restrictions ended. Fisheries' operations

continued throughout the lockdown, albeit that fish prices were relatively low and landings were reduced as the export market weakened. The shortfall in fisheries revenues has been partly compensated by the improved lettings of on-site stores and commercial units. The Group has continued to work with tenants, assisting in some cases by agreeing to payment plans. Following the release from lock-down restrictions, the retail activity during the summer months returned to high level of utilisation by the visiting public enjoying the leisure activity. The Group owns a 7,500 sq ft unit currently occupied by Edinburgh Woollen Mill (in administration) and arrears have accumulated since 1 April 2020. We await the outcome of the administration but can report that a number of high quality enquires to rent this iconic waterfront unit have been received. Pre-season marina bookings have started at a high level of retention of existing berth-holders committing to stay for 2021/22. Occupancy of the investment property estate has upheld well throughout the first half year with further new lettings expected to complete before the financial year end.

REGENERATION

Finalisation of pre-construction preparations for the planning consented scheme at Harbour Arch Quay, Sutton Harbour, have continued in recent months. Selection of the construction management team and finalisation of the detailed drawings are in process. It is expected that, subject to completion of finance, this 14 apartment building will start on site during 2021, with marketing of the units to be launched in the springtime of the New Year. In addition, the Group has submitted the preliminary applications for additional 200+ residential units with retail and live/work space, a public east-west walkway and a new urban square, on a site immediately to the east of the approved Sugar Quay development at Sutton Harbour. Efforts are being made to secure planning consent in the first half of 2021. The Sugar Quay site proposal is being re-submitted to the Planning Authority after changes to the original application have been made to remove the basement parking and to relocate it to the adjacent new development on the site immediately to the east.

SUMMARY

The first half year has been used productively to get development projects ready to start and to deliver new homes as the country emerges from the Covid crisis. The Group has remained operational throughout the crisis period with appropriate safety measures put in place to manage infection risk and in accordance with UK Government advice. Inevitably, the restrictions have had an impact on trading revenues but to date our business activities have shown resilience to recover as more normal operations can resume. The Group has intensified its efforts to promote the marinas and lifestyle attributes of Sutton Harbour to increase its profile as a 'staycation' destination and to position the location benefits of the new developments scheduled to go ahead in 2021.

PHILIP BEINHAKER
EXECUTIVE CHAIRMAN

Consolidated Statement of Comprehensive Income



		6 months to 30 September 2020 (unaudited) £000	6 months to 30 September 2019 (unaudited) £000	Year Ended 31 March 2020 (audited) £000
Revenue	3	2,873	3,820	6,558
Cost of sales		(1,874)	(2,379)	(4,229)
Gross profit		999	1,441	2,329
Fair value adjustment on fixed assets and investment property		-	(26)	(977)
Administrative expenses		(547)	(672)	(1,264)
Operating profit from continuing operations	3	452	743	88
Finance income		-	-	-
Finance expense		(394)	(462)	(844)
Net finance costs		(394)	(462)	(844)
Profit before tax from continuing operations	3	58	281	(756)
Taxation credit on (loss)/profit from continuing operations	4	-	-	(232)
Profit from continuing operations		58	281	(988)
Basic profit/earnings per share	6	-	0.02p	(0.85p)
Diluted profit/earnings per share	6	-	0.02p	(0.85p)

		6 months to 30 September 2020 (unaudited) £000	6 months to 30 September 2019 (unaudited) £000	Year Ended 31 March 2020 (audited) £000
Profit from continuing operations		58	281	(988)
Other comprehensive income/(expenses)				
Continuing operations:				
Revaluation of property, plant and equipment		-	-	1,338
Deferred taxation on income and expenses recognised directly in the consolidated statement of comprehensive income		-	-	-
Items that may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges		-	-	-
Total other comprehensive income		-	-	1,338
Total comprehensive income for the period attributable to equity shareholders		58	281	350



Consolidated Balance Sheet

		As at 30 September 2020 (unaudited) £000	As at 30 September 2019 (unaudited) £000	As at 31 March 2020 (audited) £000
	Note			
Non-current assets				
Property, plant and equipment	7	27,694	26,855	27,958
Investment property	7	18,989	19,571	18,985
Inventories	7	12,878	12,610	12,810
		59,561	59,036	59,753
Current assets				
Inventories		12,748	11,552	12,217
Trade and other receivables		2,363	2,104	2,595
Cash and cash equivalents	8	177	244	792
Tax recoverable		-	-	5
		15,288	13,900	15,609
Total assets	3	74,849	72,936	75,362
Current liabilities				
Trade and other payables		1,098	1,053	1,396
Finance lease liabilities		62	65	63
Deferred income		936	936	1,544
Provisions	9	63	75	70
		2,159	2,129	3,073
Non-current liabilities				
Other interest-bearing loans and borrowings		24,250	23,000	24,250
Finance lease liabilities		337	40	10
Deferred government grants		646	646	646
Deferred tax liabilities		1,255	1,023	1,254
Provisions	9	62	85	29
		26,550	24,794	26,207
Total liabilities	3	28,709	26,923	29,280
Net assets		46,140	46,013	46,082
Issued capital and reserves attributable to owners of the parent				
Share capital		16,266	16,266	16,266
Share premium		10,695	10,695	10,695
Other reserves		13,034	11,696	13,034
Retained earnings		6,145	7,356	6,087
Total equity		46,140	46,013	46,082

Consolidated Statement of Changes in Equity



	Share capital	Share premium	Revaluation reserve	Merger reserve	Hedging reserve	Retained earnings	Total equity
	£000	£000	£000	Other reserves £000	£000	£000	£000
Balance at 1 April 2020	16,266	10,695	9,163	3,871	-	6,087	46,082
Comprehensive income/(expense)							
Profit for the period	-	-	-	-	-	58	58
Total other comprehensive income/(expense) 6 month period ended 30 September 2020	-	-	-	-	-	58	58
Balance at 30 September 2020	16,266	10,695	9,163	3,871	-	6,145	46,140
Balance at 1 April 2019	16,266	10,695	7,825	3,871	-	7,075	45,732
Comprehensive income/expense							
Profit for the period	-	-	-	-	-	281	281
Other comprehensive income/expense							
Revaluation of property, plant and equipment	-	-	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-
Total other comprehensive income/(expense) 6 month period ended 30 September 2019	-	-	-	-	-	281	281
Total comprehensive income/(expense) 6 month period ended 30 September 2019	-	-	-	-	-	-	-
Balance at 30 September 2019	16,266	10,695	7,825	3,871	-	7,356	46,013
Balance at 1 October 2019	16,266	10,695	7,825	3,871	-	7,356	46,013
Comprehensive income/expense							
Profit for the period	-	-	-	-	-	(1,269)	(1,269)
Other comprehensive income/expense							
Revaluation of property, plant and equipment	-	-	1,338	-	-	-	1,338
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-
Total other comprehensive income/(expense) 6 month period ended 31 March 2020	-	-	-	-	-	-	-
Total comprehensive income/(expense) 6 month period ended 31 March 2020	-	-	-	-	-	-	-
Transactions with owners of the parent							
Issue of shares	-	-	-	-	-	-	-
Balance at 31 March 2020	16,266	10,695	9,163	3,871	-	6,087	46,082



Consolidated Cash Flow Statement

	Note	6 months to 30 September 2020 (unaudited) £000	6 months to 30 September 2019 (unaudited) £000	Year Ended 31 March 2020 (audited) £000
Cash generated from total operating activities	10	(599)	(481)	(455)
Cash flows from investing activities				
Net expenditure on investment property		(4)	-	(52)
Expenditure on property, plant and equipment		75	(609)	(823)
Proceeds from sale of plant and equipment		-	-	-
Net cash used in investing activities		71	(609)	(875)
Cash flows from financing activities				
Proceeds from sale of shares		-	-	-
Expenses of share issuance		-	-	-
Interest paid		(396)	(462)	(844)
Loan drawdowns/(repayment of borrowings)		309	500	1,750
Net finance lease (payments)/receipts		-	-	(78)
Net cash used in financing activities		(87)	38	826
Net increase/(decrease) in cash and cash equivalents		(615)	(1,052)	(504)
Cash and cash equivalents at beginning of period		792	1,296	1,296
Cash and cash equivalents at end of period	8	177	244	792



I. General information

This consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2020 were approved by the Board of Directors on 6 July 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under section 498 of the Companies Act 2006.

Copies of the Group's financial statements are available from the Company's registered office, Sutton Harbour Office, Guy's Quay, Sutton Harbour, Plymouth, PL4 0ES and on the Company's website www.sutton-harbour.co.uk.

This consolidated interim financial information has not been audited.

2. Basis of preparation

The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as endorsed by the European Union, and those parts of the Companies Acts 2006 as applicable to companies reporting under IFRS.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2020, as described in those annual financial statements.

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.

3. Segment information

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 having only one geographical segment, with all operations being carried out in the United Kingdom.

The Board of Directors considers the performance of the operating segments using operating profit. The segment information provided to the Board of Directors for the reportable segments for the period ended 30 September 2019 is as follows:

6 months to 30 September 2020	Marine £000	Real Estate £000	Car Parking £000	Regeneration £000	Total £000
Revenue	1,969	676	228	-	2,873
Gross profit prior to non-recurring items	561	448	100	(110)	999
Segmental Operating Profit before fair value adjustment and unallocated expenses	561	448	100	(110)	999
Fair value adjustment on fixed assets and investment property assets	-	-	-	-	-
Unallocated:					
Administrative expenses					(547)
Operating profit from continuing operations					452
Financial income					-
Financial expense					(394)
Profit before tax from continuing operations					58
Taxation					-
Profit for the year from continuing operations					58
Depreciation charge					
Marine					168
Car Parking					11
Administration					11
					190



Notes to Interim Report

3. Segment Information (continued)

6 months to 30 September 2019	Marine £000	Real Estate £000	Car Parking £000	Regeneration £000	Total £000
Revenue	2,662	762	396	-	3,820
Gross profit prior to non-recurring items	637	534	270	-	1,441
Segmental Operating Profit before Fair value adjustment and unallocated expenses	637	534	270	-	1,441
Fair value adjustment on fixed assets and investment property assets	-	-	-	-	-
Unallocated: Administrative expenses					(698)
Operating profit from continuing operations					743
Financial income					-
Financial expense					(462)
Loss before tax from continuing operations					(281)
Taxation					-
Loss for the year from continuing operations					281
Depreciation charge					
Marine					150
Car Parking					14
Administration					5
					169

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



	30 September 2020 £000	30 September 2019 £000	31 March 2020 £000
<i>Segment assets:</i>			
Marine	23,304	23,731	23,858
Real Estate	19,660	19,815	19,640
Car Parking	5,323	4,423	5,267
Regeneration	25,746	24,267	25,115
Total segment assets	74,033	72,236	73,880
<i>Unallocated assets:</i>			
Property, plant & equipment	83	87	80
Trade & other receivables	556	368	610
Cash and cash equivalents	177	245	792
Total assets	74,849	72,936	75,362

	30 September 2020 £000	30 September 2019 £000	31 March 2020 £000
<i>Segment liabilities:</i>			
Marine	1,184	1,196	1,960
Real estate	560	417	550
Car Parking	90	72	108
Regeneration	823	951	903
Total segment liabilities	2,657	2,636	3,521
<i>Unallocated liabilities:</i>			
Bank overdraft & borrowings	24,649	23,105	24,341
Trade & other payables	148	157	163
Financial Derivatives	-	-	-
Tax payable	-	1	-
Deferred tax liabilities	1,255	1,024	1,255
Total liabilities	28,709	26,923	29,280

Unallocated assets included in total assets and unallocated liabilities included in total liabilities are not split between segments as these items are centrally managed.

4. Taxation

The Company has applied an effective tax rate of 19% (2019: 19%) based on management's best estimate of the tax rate expected for the full financial year and is reflected in a movement in deferred tax.

5. Dividends

The Board of Directors do not propose an interim dividend (2019: nil).

6. Earnings per share

	6 months to 30 September 2020 (unaudited) pence	6 months to 30 September 2019 (unaudited) pence	6 months to 31 March 2020 (unaudited) pence
Continuing operations			
Basic earnings per share	-	0.02p	(0.85p)
Diluted earnings per share*	-	0.02p	(0.85p)

Basic Earnings per Share:

Basic earnings per share have been calculated using the profit for the period of £58,000 (2019: profit £281,000, year ended 31 March 2020 loss £988,000). The average number of ordinary shares in issue, excluding those options granted under the SAYE scheme, of 115,944,071 (2019: 115,944,071; year ended 31 March 2020: 115,944,071) has been used in our calculation.

Diluted Earnings per Share:

Diluted earnings per share uses an average number of 115,944,071 (2019: 115,944,071; year ended 31 March 2020 115,944,071) ordinary shares in issue, and takes account of the outstanding options under the SAYE scheme in accordance with IAS 33 'Earnings per share'. There are no outstanding options under expire SAYE schemes.

7. Property valuation

Freehold land and buildings and investment property have been independently valued by Jones Lang LaSalle as at 31 January 2020, in accordance with the Practice Statements in the Valuations Standards (The Red Book) published by the Royal Institution of Chartered Surveyors.

A further valuation will be commissioned for the year ending 31 March 2021, as in previous years.

8. Cash and cash equivalents

	As at 30 September 2020 (unaudited) £000	As at 30 September 2019 (unaudited) £000	As at 31 March 2020 (audited) £000
Cash and cash equivalents per balance sheet and cash flow statement	177	244	792

9. Provisions

	Onerous leases £000	Total £000
Balance at 1 April 2019	243	243
Provisions utilised	(83)	(83)
Balance at 30 September 2019	160	160
Provisions made	-	-
Provisions utilised	(61)	(101)
Balance at 31 March 2020	99	59
Provisions made	26	66
Provisions utilised	-	-
Balance at 30 September 2020	125	125
Current	63	63
Non-current	62	62
	125	125



10. Cash Flow Statements	6 months to 30 September 2020 (unaudited) £000	6 months to 30 September 2019 (unaudited) £000	6 months to 31 March 2020 (audited) £000
Cash flows from operating activities			
Profit/(loss) for the period	58	281	(756)
Adjustments for:			
Taxation	-	-	-
Financial income	-	-	-
Financial expense	396	442	844
Fair value adjustment on fixed assets and investment property	-	-	977
Depreciation	190	169	340
Amortisation of grants	-	-	-
Profit/loss on sale of property, plant and equipment	-	7	2
Cash generated from operations before changes in working capital and provisions			
	644	899	1,407
Increase in inventories	(599)	(635)	(1,460)
Decrease/(increase) in trade and other receivables	234	251	(312)
(Decrease)/increase in trade and other payables	(236)	(366)	(100)
Decrease in deferred income	(607)	(556)	145
(Decrease)/increase in provisions	(35)	(74)	(135)
Cash generated from operations	(599)	(481)	(455)