

Interim Results for the six months ended 30 September 2009

- a period of considerable progress

Sutton Harbour Holdings plc (“Sutton Harbour” or “Group”), the AIM listed regeneration, infrastructure and transportation specialist, announces Interim Results for the six months ended 30 September 2009.

Financial highlights:

- Revenues for the period up 18% to £19.20m (2008: £16.19m)
- Operating profit before fair value adjustments on investment property of £1.85m (2008: £0.68m)
- Profit before tax up to £1.20m after fair value adjustments on investment property (fair value deficit of £0.50m) (2008: £0.51m profit after fair value deficit £0.52m)
- Interim dividend maintained at 0.9p per share (2008: 0.9p)
- Earnings per share (basic and diluted) of 1.65p (2008: 0.72p)
- Gearing reduced to 41.4% (2008: 58.2%)
- Successful share placing in September raising £6.7m net
- Net assets at period end of £41.9m (31 March 2009: £35.4m)

Operational highlights:

- Regeneration activities performed well; good progress achieved with pipeline of high quality future projects;
- Agreement for sale of surplus Plymouth City Airport land completed in June for not less than £11.8m;
- Facility for Royal Yachting Association (“RYA”) in Portland nearing completion with pre-sale to RYA already agreed; first phase of mixed-use scheme at Exeter quays also near completion;
- Selected by NHS Cumbria as private sector partner under the new NHS Express LIFT framework;
- Marine sector enjoyed strong performance: marina capacity and facilities increased; fishing activities made strong recovery as fuel prices reduced;
- Transport activities continue to face very challenging conditions, resulting in loss for the period;
- New London City route which is performing very satisfactorily;
- Appointment of Sean Swales as a new non-executive director.

Michael Knight, Chairman, commented:

“Considerable progress has been made in the last half-year period despite difficult economic and trading conditions which have persisted, particularly for our transport division”

and

“Whilst we expect business conditions to remain challenging for the immediate future, the Group has a core of stable income producers underpinned by a high quality asset base and we remain confident regarding the group’s future prospects”

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Chairman's Statement

Considerable progress has been made in the last half-year period despite difficult economic and trading conditions which have persisted, particularly for our transport division. Specifically we have:

- sold the first tranche of surplus airport land and agreed a further tranche to take effect in December 2009;
- progressed our regeneration pipeline in line with our stated plans;
- delivered a strong performance for our marine sector;
- launched new routes to London City airport and faced the challenge of tough market conditions; and
- raised a net £6.7m in the equity markets in September 2009. We effected the placing of shares with existing and new institutions which has broadened our shareholder base.

Results and dividend

Profit before tax for the six month period ended 30 September 2009 was £1.2m (2008: £0.5m). This profit was achieved after bearing a loss of £1.5m (2008: £0.4m profit) in our transport division where pressure on passenger fares, new route development costs and weaker consumer demand have depressed results for the period. The reported profit before tax is also stated after charging a revaluation deficit of the Group's investment properties amounting to £501,000 (2008: £519,000 deficit) following an external valuation at the half year end. The revaluation of owner-occupied properties as at 30 September 2009 resulted in a deficit of £368,000 (2008: £353,000) charged against the balance sheet revaluation reserve. Net assets at the balance sheet date were £41.9m compared to £35.4m at 31 March 2009.

Gearing has fallen from 58.2% to 41.4% over the six month period following cash inflows from the airport land sale transaction and the equity issue during the period. In the current environment your board has actively sought to reduce underlying debt, although short-term increases in borrowings are to be expected in the closing stages of certain development projects. The Group remains well within its agreed banking facilities.

Your board proposes to maintain the interim dividend at 0.9p per ordinary share (2008: 0.9p), which reflects solid performance by the regeneration and marine sectors and takes account of cash generation achieved by the group. The policy to improve returns to shareholders remains our long term objective as market conditions stabilise and trading performance across all group activities improves.

Regeneration

Last year the Group cut costs and has focused on strategies to manage exposure to the property markets. The portfolio of income earning property assets has performed well during the period. Good progress has been achieved with the regeneration pipeline albeit that certain projects will be phased over a longer period and brought forward as market conditions permit. The regeneration schemes underway in Portland and Exeter are being brought forward in smaller phases to keep delivery on track and to manage the cash flow requirements and risks associated with larger scale developments. The quality of regeneration schemes remains a key objective and the Group is pleased to report that it has recently received two regional property awards.

The agreement for sale of surplus airport land was completed in June 2009. The land sale is split into four tranches with individual options exercisable between June 2009 and October 2011 with the aggregate amount of not less than £11.8m. The first tranche sale was realised in this period with the option over the second tranche exercised after the period end and realisable in the second half of this financial year. These sale proceeds will permit re-investment into certain airport facilities to support development of that business.

The development of the Royal Yachting Association (RYA) building at Portland is nearing completion with pre-sale to RYA agreed and planned to complete early December 2009. The first phase of the mixed-use development at Exeter Quays is also nearing completion.

Following on from the Group's successful past investment in the Plymouth Local Investment Finance Trust (LIFT) the Group, together with its consortium partners, has used its acquired knowledge and been selected by NHS Cumbria as private sector partner under the new NHS Express LIFT framework. Sutton Harbour will hold 40% of the private sector partner consortium company, which will have a 60% stake in the facility provider company. The company will therefore have an effective 24% stake in this investment which will provide long-term income underpinned by a quality asset base and is consistent with our strategy of building our annuity revenue base using our skills in partnering with the public and private sectors.

Transport

Challenges currently facing the aviation industry across the sector are well-documented. Revenue per passenger remains under pressure resulting in a sector loss of £1.5m, which includes the one-off costs of introducing the new Newquay/Plymouth to London City routes started in April 2009. These new routes are performing very satisfactorily and provide the quickest links from the South-West to the capital. They have contributed to 4% growth in airport passengers at Plymouth City Airport against an average decline of c.10% in regional airport passengers.

Marine

The marine sector has performed strongly during the first half year. The marinas have benefited from recently extended berthing which provides additional capacity and space to host special events. Fishing results have made a strong recovery as fuel prices have fallen back and trips to sea have become economically worthwhile.

Corporate Governance and staff

Tim Bacon will retire from the board on 1 December 2009 after serving five years as a director. I would like to thank Tim for his work and advice on property and regeneration projects during both his executive career with the Group from 2000 to 2006 and latterly as a non-executive director. Tim was a key part of the team that formed the Sutton Partnership with Plymouth City Council in 2000 which developed a number of highly successful mixed-use schemes around Sutton Harbour. To fill this vacancy, I am pleased to announce the appointment of Sean Swales as non-executive director with effect from 1 December 2009. Sean Swales is a Chartered Accountant and Group Finance Director of Rotolok (Holdings) Limited, which is the largest shareholder in the Group. I welcome the opportunity this affords to strengthen the relationship with the Group's major shareholder.

The directors thank the staff for their continued commitment and for their positive attitude to the company throughout the period. We are fortunate to have an excellent team and it is pleasing that the group has been re-accredited an Investor In People this year.

Summary and Outlook

Your Group's focus has been to maintain a stable base for our activities in a difficult economic environment whilst progressing the regeneration pipeline in a prudent and coordinated manner. Within this approach your company has taken steps to reduce short term financial exposure by reducing gearing and by raising new equity to support future growth and profit generation. We are continuing to explore opportunities to enhance revenues and manage costs in our transport division.

Whilst we expect business conditions to remain challenging for the immediate future, your Group has a core of stable income producers underpinned by a high quality base and we remain confident regarding the Group's future prospects.

Michael Knight
Chairman
30 November 2009

Consolidated Income Statement

	Note	6 months to 30 September 2009 (unaudited) £000	6 months to 30 September 2008 (unaudited)* £000	Year Ended 31 March 2009 (audited) £000
Continuing operations				
Revenue	3	19,201	16,191	29,262
Cost of sales		(16,506)	(14,856)	(28,185)
Gross Profit		2,695	1,335	1,077
Other operating income		8	10	19
Administration expenses		(860)	(648)	(1,428)
Other operating expenses		-	(16)	(10)
Profit/(loss) arising on disposal of fixed assets		3	-	(267)
Operating profit/(loss) before fair value adjustments on investment property		1,846	681	(609)
Fair value adjustments on investment property	7	(501)	(519)	(2,787)
Operating profit/(loss)	3	1,345	162	(3,396)
Financial income		10	84	95
Financial expense		(153)	(548)	(962)
Net financing costs		(143)	(464)	(867)
Realised gain on disposal of interest in joint venture company		-	902	908
Share of loss of joint venture using the equity accounting method		-	(95)	(95)
		-	807	813
Profit/(loss) before tax		1,202	505	(3,450)
Taxation	4	(337)	(141)	996
Profit/(loss) for the period attributable to equity shareholders		865	364	(2,454)
Basic earnings per share	6	1.65p	0.72p	(4.86)p
Diluted earnings per share	6	1.64p	0.71p	(4.86)p

*September 2008 restated between Cost of sales & Administration expenses with no net effect on Operating profit.

Consolidated Statement of Comprehensive Income

	6 months to 30 September 2009 (unaudited) £000	6 months to 30 September 2008 (unaudited) £000	Year Ended 31 March 2009 (audited) £000
Profit/(loss) for the period	865	364	(2454)
Other comprehensive income/(expense)			
Revaluation of property, plant and equipment	(367)	(353)	(768)
Deferred taxation on income and expenses recognised directly in equity	-	(15)	11
Effective portion of changes in fair value of cash flow hedges	(264)	(374)	156
Total other comprehensive expense	(631)	(742)	(601)
Total comprehensive income/(expense) for the period attributable to equity shareholders	234	(378)	(3,055)

Consolidated Balance Sheet

		As at 30 September 2009 (unaudited) £000	As at 30 September 2008 (unaudited)* £000	As at 31 March 2009 (audited) £000
	Note
Non-current assets				
Property, plant and equipment	7	36,556	33,665	35,946
Intangible assets		490	524	507
Investment property	7	20,550	32,560	20,833
Other financial assets		130	130	130
		57,726	66,879	57,416
Current assets				
Inventories		12,852	8,370	10,390
Trade and other receivables		3,011	3,110	3,149
Cash and cash equivalents	8	6	6	6
Derivative financial instruments		523	424	1,360
Tax receivable		-	184	157
		16,392	12,094	15,062
Total assets		74,118	78,973	72,478
Current liabilities				
Bank overdraft	8	13,996	16,320	19,142
Other interest-bearing loans and borrowings		3,042	1,013	1,008
Trade and other payables		6,222	7,246	6,068
Deferred income		2,465	2,383	3,647
Deferred government grants		0	19	18
Derivative financial instruments		111	390	752
Provisions for other liabilities and charges		145	292	291
Tax payable		135	-	-
		26,116	27,663	30,926
Non-current liabilities				
Other interest-bearing loans and borrowings		291	6,630	468
Deferred government grants		304	304	297
Deferred tax liabilities		5,260	5,779	5,093
Derivative financial instruments		276	-	234
Provisions for other liabilities and charges		-	-	46
		6,131	12,713	6,138
Total liabilities		32,247	40,376	37,064
Net assets		41,871	38,597	35,414
Equity and reserves				
Share capital	9	15,736	12,622	12,640
Share premium	9	11	3	10
Other reserves	9	12,917	9,100	9,928
Retained earnings	9	13,207	16,872	12,836
Total equity		41,871	38,597	35,414

*September 2008 restated for minor tax adjustments

Consolidated Cash Flow Statement

	Note	6 months to 30 September 2009 (unaudited) £000	6 months to 30 September 2008 (unaudited) £000	Year Ended 31 March 2009 (audited) £000
Cash flows from operating activities				
Profit/(loss) for the period		865	364	(2,454)
Adjustments for:				
Taxation		337	141	(996)
Share of loss of joint venture		-	95	95
Financial income		(10)	(84)	(95)
Financial expense		153	548	962
Fair value adjustments on investment property		501	519	2,787
Realised gain on disposal of interest in joint venture company		-	(902)	(908)
(Gain)/loss on remeasurement of derivative financial instruments to fair value		(27)	(326)	82
Gain on ineffective portion of cash flow hedge		-	-	(217)
Depreciation and amortisation		583	497	1,019
Amortisation of grants		(8)	(10)	(19)
Loss on disposal of investment property		-	-	267
Loss on sale of property, plant and equipment		61	16	10
Equity settled share-based payment expenses		12	33	(28)
Cash generated from operations before changes in working capital and provisions		2,467	891	505
(Increase) in inventories		(1,045)	(2,922)	(4,672)
(Increase)/decrease in trade and other receivables		(1,062)	840	801
Increase/(decrease) in trade and other payables		20	428	(688)
(Decrease)/increase in deferred income		(1,182)	(979)	285
(Decrease)/increase in provisions		(77)	63	(183)
Cash (used in) operations		(879)	(1,679)	(3,952)
Tax received/(paid)		124	(154)	334
Net cash (used in) operating activities		(755)	(1,833)	(3,618)
Cash flows from investing activities				
Proceeds from sale of investment property			-	8,700
Proceeds from sale of property, plant and equipment		-	13	13
Expenditure on investment property		(218)	(4,848)	(6,357)
Expenditure on property, plant and equipment		(1,596)	(652)	(1,716)
Interest received		10	36	95
Net proceeds from disposal of interest in joint venture		-	2,732	2,722
Equalisation receipt in relation to joint venture		-	111	111
Net cash (used in)/generated from investing activities		(1,804)	(2,608)	3,568
Cash flows from financing activities				
Proceeds from issue of share capital - Placing		6,713	-	-
- Other		7	-	25
Proceeds from new loan		2,287	3,368	4,857
Interest paid		(366)	(628)	(1,244)
Repayment of borrowings		(430)	(456)	(8,112)
Dividends paid		(506)	(757)	(1,212)
Net cash generated from/(used in) financing activities		7,705	1,527	(5,686)
Net increase/(decrease) in cash and cash equivalents		5,146	(2,914)	(5,736)
Cash and cash equivalents at beginning of period		(19,136)	(13,400)	(13,400)
Cash and cash equivalents at end of period	8	(13,990)	(16,314)	(19,136)

1. General information

This consolidated interim financial information does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2009 were approved by the Board of Directors on 2 June 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 237 of the Companies Act 1985.

Copies of the Group's financial statements are available from the Company's registered office, North Quay House, Sutton Harbour, Plymouth, PL4 0RA 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 2009, 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 1985 and 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 2009, as described in those annual financial statements.

Adoption of new International Financial Reporting Standards

IFRS 8 'Operating Segments' effective for annual periods beginning on or after 1 January 2009 replaces IAS 14 'Segment Reporting' and requires operating segments to be reported in a manner consistent with the internal reporting provided to the chief operating decision-maker – identified here as the Board of Directors - responsible for resource allocation and assessing performance of the operating segments. The Group has reviewed its operating segments and concluded that no changes to those reported in the annual financial statements are necessary.

Following the introduction of IAS 1 (revised) 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009, the Group has elected to present two statements: an Income Statement and a Statement of Comprehensive Income.

The consolidated interim financial information has been prepared under the revised disclosure requirements of IFRS 8 and IAS 1 (revised) as stated above. There was no impact on the results or net assets of the Group.

The following new standards, amendments to standards and interpretations are not applicable to current activity in the Group: IFRIC 12 'Service Concession Arrangements'; IFRIC 13 'Customer Loyalty Programmes'; IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'; IFRIC 15 'Non-current Assets Held for Sale and Discontinued Operations'; IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'; IFRIC 17 'Distribution of Non-Cash Assets to Owners'; IFRIC 18 'Transfers of Assets from Customers'.

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.

There have been no significant changes to estimates and judgements since the signing of the financial statements for the year ended 31 March 2009.

3. Segment information

The Group's primary format for segment reporting is based on business segments. All of the Group's operations are carried out in the United Kingdom. The Group therefore has only one geographical segment. The Board continues to monitor performance with the following three segments based on operating profits with other items of central costs deemed unallocated:

Business segments:

	6 months to 30 Sept 2009 (unaudited) £000	6 months to 30 Sept 2008 (unaudited) £000	12 months to 31 Mar 2009 (audited) £000
External revenue:			
Marine activities	2,404	2,620	4,399
Regeneration	3,978	647	1,420
Transport	12,819	12,924	23,443
Total external revenue = Total revenue	19,201	16,191	29,262
Segment operating profit:			
Marine activities	858	701	1,263
Regeneration prior to fair value adjustment of investment property	3,344	207	407
Fair value adjustment on investment property	(501)	(519)	(2,787)
Regeneration after fair value adjustment on investment property	2,843	(312)	(2,380)
Transport	(1,496)	421	(851)
	2,205	810	(1,968)
Unallocated expenses:			
Administrative expenses	(860)	(648)	(1,428)
Group operating profit/(loss)	1,345	162	(3,396)
Financial income	10	84	95
Financial expense	(153)	(548)	(962)
Realised gain on disposal of interest in joint venture	-	902	908
Share of loss of joint venture	-	(95)	(95)
Taxation	(337)	(141)	996
Profit/(loss) for the period	865	364	(2,454)
Assets and liabilities			
<i>Segment assets:</i>			
Marine activities	22,011	20,778	21,484
Regeneration	34,587	41,267	32,430
Transport	16,859	16,208	17,687
Total segment assets	73,457	78,253	71,601
Unallocated assets: Property Plant & Equipment	301	352	127
Trade & Other Receivables	360	184	593
Tax assets receivable	-	184	157
Total assets	74,118	78,973	72,478
<i>Segment liabilities:</i>			
Marine activities	849	863	1,480
Regeneration	4,065	8,258	2,517
Transport	7,843	8,894	8,408
Total segment liabilities	12,757	18,015	12,405
Unallocated liabilities: Bank Overdraft	13,996	16,320	19,142
Trade & Other Payables	234	262	424
Deferred tax liabilities	5,260	5,779	5,093
Total liabilities	32,247	40,376	37,064

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

Notes to Interim Report

4. Taxation

The company has applied an effective tax rate of 28% (2008: 28%) based on management's best estimate of the tax rate expected for the full financial year.

5. Dividends

	6 months to 30 September 2009 (unaudited) £000	6 months to 30 September 2008 (unaudited) £000	Year Ended 31 March 2009 (audited) £000
Final Dividend in respect of the year ended 31 March 2009 (31 March 2008)	506	757	757
Interim Dividend in respect of the year ended 31 March 2009	-	-	455
	506	757	1,212

The interim ordinary dividend of 0.9p (net) per share (2008: 0.9p) totalling £566,494 (2008: £454,969) was approved by the Board of Directors on 30 November 2009. This interim dividend will not be provided against profits until paid and will be paid on 6 January 2010 to Shareholders on the register on 11 December 2009.

6. Earnings per share

	6 months to 30 September 2009 (unaudited) pence	6 months to 30 September 2008 (unaudited) pence	Year Ended 31 March 2009 (audited) pence
Basic earnings per share	1.65p	0.72p	(4.86)p
Diluted earnings per share	1.64p	0.71p	(4.86)p*

Basic earnings per share have been calculated using the profit for the period of £865,000 (2008: £364,000) and the 52,330,463 (2008: 50,489,400) average number of ordinary shares in issue, excluding those options granted under the SAYE scheme.

Diluted earnings per share uses an average number of 52,790,358 (2008: 51,569,811) ordinary shares in issue, and takes account of the outstanding options under the SAYE scheme in accordance with IAS 33 'Earnings per share'.

*The 31 March 2009 diluted earnings per share equals the basic earnings per share due to the loss for the year.

7. Property valuation

Freehold land and buildings and investment property have been independently valued by Lambert Smith Hampton as at 30 September 2009 in accordance with the Practice Statements in the Valuations Standards (The Red Book) published by the Royal Institution of Chartered Surveyors.

The basis for determining the property values is as described in the financial statements for the year ended 31 March 2009.

Notes to Interim Report

8. Cash and cash equivalents

	As at 30 September 2009 (unaudited) £000	As at 30 September 2008 (unaudited) £000	As at 31 March 2009 (audited) £000
Cash and cash equivalents per balance sheet	6	6	6
Bank overdraft	(13,996)	(16,320)	(19,142)
Cash and cash equivalents per cash flow statement	<u>(13,990)</u>	<u>(16,314)</u>	<u>(19,136)</u>

9. Consolidated Statement of Changes in Equity

	Share capital	Share premium	Revaluation reserve	Merger reserve	Hedging reserve	Retained earnings
	£000	£000	Other Reserves £000	£000	£000	£000
Balance at 1 April 2008	12,622	3	9,576	251	-	17,232
Profit for the period	-	-	-	-	-	364
Revaluation of property, plant and equipment	-	-	(353)	-	-	-
Deferred taxation on revaluation of property, plant and equipment	-	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(374)	-
Total comprehensive income - period ended 30 September 2008	-	-	(353)	-	(374)	364
Cost relating to share-based payment schemes	-	-	-	-	-	33
Dividends	-	-	-	-	-	(757)
As at 30 September 2008	12,622	3	9,223	251	(374)	16,872
Profit for the period	-	-	-	-	-	(2,818)
Revaluation of property, plant and equipment	-	-	(415)	-	-	-
Deferred taxation on revaluation of property, plant and equipment	-	-	11	-	-	-
Transfer to revaluation reserve in relation to reclassification of investment property	-	-	702	-	-	(702)
Cashflow hedges:						
- Fair value movements	-	-	-	-	390	-
- Transfer to Cost of Sales	-	-	-	-	140	-
Total comprehensive income - period ended 31 March 2009	18	7	298	-	530	(3,520)
Issue of shares	18	7	-	-	-	-
Cost relating to share-based payment schemes	-	-	-	-	-	(61)
Dividends	-	-	-	-	-	(455)
As at 31 March 2009	12,640	10	9,521	251	156	12,836
Profit for the period	-	-	-	-	-	865
Revaluation of property, plant and equipment	-	-	(368)	-	-	-
Deferred taxation on revaluation of property, plant and equipment	-	-	-	-	-	-
Total comprehensive income - period ended 30 September 2009	-	-	(368)	-	-	865
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(264)	-
Issue of shares	3,096	1	-	3,622	-	-
Cost relating to share-based payment schemes	-	-	-	-	-	12
Dividends	-	-	-	-	-	(506)
As at 30 September 2009	15,736	11	9,153	3,872	(108)	13,207

Note on sale of airport land and options

The directors have determined that the options contained in the sale of airport land are immaterial, and they have not been recorded as a financial asset.