SUTTON HARBOUR HOLDINGS plc

Registered No. 2425189

Annual Report and Accounts 2005

CONTENTS

The Company is listed on the Alternative Investment Market and has the following operating divisions:

Regeneration

The Company is a substantial land owner within the harbour environs with tenants including South West Regional Development Agency, various Government Ministries, numerous national breweries and the National Marine Aquarium. The Company formed the Sutton Partnership with Plymouth City Council in 2000 and has since delivered four phased schemes as part of a masterplanned regeneration initiative. The most recent Sutton Partnership scheme is the development of a 57,000 sq ft office building to be completed in 2006 and let to the Department for Work and Pensions. The Company actively participates in a variety of other public/ private partnerships including the Plymouth Local Investment Finance Trust Scheme to develop community healthcare facilities in the city.

Transport

The Company acquired Plymouth City Airport Limited from British Airways in 2000. The Company has a long leasehold interest in the City's airport, from which a number of scheduled flights to UK and Irish destinations operate. The Company provides ancillary services to airlines and aircraft users and provides office and operational accommodation to airport related and other tenants. Air South West Limited, a wholly owned subsidiary of the Group, commenced the operation of scheduled air services in October 2003. The Company took over routes between Plymouth, Newquay and Gatwick formerly operated by British Airways and has since added scheduled services out of Plymouth, Newquay and Bristol to Manchester, Leeds, Jersey and Dublin.

Marine Activities

The Company's headquarters and traditional activities are located at Plymouth's historic harbour, Sutton Harbour. Harbourside activities of the Company date back to 1847. The Company owns and operates Plymouth Fishmarket and provides ancilliary services to commercial fishermen. The fishmarket complex, newly built in 1996, houses an electronic auction clock, auction floor and offices and processing units leased to fisheries related tenants. Sutton Harbour Marina provides berthing for over 250 yachts. The Marina, inside the security of the Sutton Harbour Lock, is one of the finest along the south coast with full amenities for yachtsmen whilst being right in the heart of Plymouth's Barbican area. Additionally, the Company operates related businesses providing repair, service, hoisting and chandlery services to boat owners.

Chairman's Statement

I am very pleased to announce excellent results and an eighth successive increase in total dividends. In my interim statement last autumn, I reported that the company had worked to bring a number of regeneration projects to the delivery stage. During the second half of the year we finalised a number of projects and have begun work on new schemes for delivery in the next two financial years or so. I also reported that our airline subsidiary, Air Southwest, had performed well and in the second half year it has continued to exceed our expectations.

I am delighted to report to shareholders that Operating Profit is up by 49% to £2,534,000 (2004: £1,701,000). Profit before taxation is also up by 49% to £2,392,000 (2004: £1,604,000). The increase in profitability in this year has been achieved by better than expected results from Air Southwest within the transport sector of our business. Marine activities have performed steadily with satisfactory growth in profitability. The lower profits from Regeneration merely reflect the timing of income recognition rather than any underlying trend. The total tax charge on profits remains close to 30%, with the corporation tax charge element reduced by the availability of capital allowances on the Dash 8 aircraft purchased last autumn. Earnings per share have increased from 4.63p (adjusted for the one for one capitalisation issue in August 2004) to 6.81p, an increase of 47%.

At the half year stage we paid an interim dividend of 1.1p per ordinary share, a 22% increase on the interim dividend paid in the previous year. This sharp increase was partly to narrow the difference between the interim and final dividend payments. In view of this year's good results a final dividend of 2.1p per ordinary share is proposed which represents an increase of 13.5%. This makes a total dividend of 3.2p (2004: 2.75p per ordinary share adjusted for the one for one capitalisation issue), a total increase of 16.4%. The final dividend will be payable on 9 September 2005 to shareholders on the register on 26 August 2005. The shares are expected to go ex-dividend on 24 August 2005.

In the first full year of trading Air Southwest has performed well and exceeded our profit expectations for the period. We carried 228,000 passengers during the year on our established Newquay-Plymouth-Gatwick route and our new Plymouth-Bristol-Manchester and Bristol-Plymouth-Jersey routes, giving a network load factor of 74%. In addition to our two leased aircraft, we purchased a Dash 8 aircraft last autumn. The availability of the third aircraft significantly cut operating costs and in the second half of the year we largely avoided having to sub-charter aircraft to cover service and maintenance time of our fleet. In April 2005, we started new routes: Newquay-Bristol-Leeds, Newquay-Dublin, Newquay-Manchester and Plymouth-Leeds. We purchased a further Dash 8 aircraft in May 2005 to support these routes, bringing our fleet to four. Occupancy rates on our network of routes continue to be good and we are encouraged by the start made on our new routes.

It was recently reported that the Ministry of Defence plans to 'mothball' RAF St Mawgan in 2007. As yet, we do not know how this will affect the civilian facility of Newquay Cornwall Airport which operates from the same site. We are working closely with Cornwall County Council and are confident that a way forward can be found to retain the facility which is so vital to Cornwall and is an important airport in our network.

Plymouth City Airport has benefited greatly from a 44% increase in passenger numbers with the new services operated by Air Southwest and by Air Wales. To accommodate airport users in more comfort we will be providing a new passenger lounge this summer. The Runway End Safety Area, to comply with Civil Aviation Authority regulations, is now complete.

As already announced we recently concluded negotiations with Land Securities Trillium to construct a 57,000 sq ft office close to the harbour which will be let to the Department for Work and Pensions. Construction has already begun on site with completion scheduled for Spring 2006. Additionally, Barratt Homes are underway with the construction of 108 flats on the eastern part of the same site. The regeneration of this Moon Street site is part of the Sutton Partnership scheme run jointly by your company and Plymouth City Council.

We are also undertaking a series of developments to the east of the harbour working with Westbury Homes. The development at Harbour Avenue, which we started in 2003, is now finished. The Shepherd's Wharf development will be completed in early 2006. To grow our rent roll we will be purchasing commercial space within both these schemes. Finalisation of the Penrose site scheme, to be developed by Signpost Housing Association, is expected shortly and we will soon seek planning permission for another mixed use development on the eastern side of Sutton Harbour.

Construction of the first tranche of schemes by the LIFT company, ReSound (Health) Limited, in which we have a 37.2% interest, is well underway with the first healthcare facility due to open in September 2005.

Our marine activities, which include Plymouth Fisheries and Sutton Harbour Marina have achieved growth in profitability this year. Landings at Plymouth Fishmarket were up by 12% in auction value compared with the previous year and good visitor numbers to the marina last summer resulted in a welcome boost to revenue.

The marina is again full for the 2005/06 season and we have a significant waiting list for berths.

Now that Air Southwest is an established and successful part of our Group, I am pleased to announce that Malcolm Naylor will join the board on 1 June 2005. Malcolm, 57, who joined the Group in 2002, is the Chief Executive of Air Southwest. He was formerly the Managing Director of Brymon Airways and has held senior positions at Kenya Airways and FlyBe.

Duncan Godefroy retired as a non-executive director at the end of our financial year having retired as Managing Director last September. Your board is very grateful for his advice and assistance during this transitionary period and we wish him all the very best for a long and happy retirement. Many shareholders shared in our delight when Duncan received an OBE for services to the community in Plymouth in the January 2005 New Year's Honours, an award richly deserved for a career-long commitment to the regeneration of the city.

As the Group grows and its business becomes more complex, the demands on the board also increase. In recognition of this we decided to commission an external evaluation of the board and to seek professional advice in identifying and selecting potential additional non-executive directors. This process is now nearing completion and I anticipate being able to announce at least one new non-executive director within the next few weeks.

Our staff numbers have continued to increase and we are most fortunate to employ staff with a diverse range of skills. We are very proud of our staff's adaptability to the changing needs of the Group and their enthusiasm for our new activities. The board is most grateful to them for their efforts.

In the last year the Group has made significant progress. Not only have turnover, profits and dividends increased substantially but we have put in place a number of schemes and projects from which further increases in profits can reasonably be expected. We remain very confident of our future.

Ellen Winser
Chairman.
25 May 2005

Operational Review

During the last year the company has grown significantly and our new activities within the transport and regeneration segments of our business have advanced well. We have refocused our activities under three segmental headings; Marine Activities, which covers the operation of Plymouth Fisheries and Sutton Harbour Marina; Regeneration, which covers public/private partnerships, Sutton Partnership and other property development and regeneration consultancy activities, and Transport, which includes the operation of Plymouth City Airport and Air Southwest.

Development of our business over the coming year will mainly focus on lower risk activities with sustainable returns. We will extend our rental portfolio and regeneration activities to achieve this. These activities, with our core of 'Marine' activities balance the higher risk profile of our 'Transport' activities.

Transport

Now that it is established and trading well, Air Southwest has helped improve the future prospects of Plymouth City Airport. With increased passenger throughput we are developing commercial activities at the airport and customer awareness is being promoted with a new website **www.plymouthcityairport.com** . Ancilliary revenues from car parking, advertising incomes and rentals are all rising as a result. A new passenger lounge and extra parking will be completed by mid summer.

Air Southwest has been operating for over a year and a half and has already recovered its start up costs. Since the launch of the airline we have added five new destinations to the initial Gatwick service and have worked to develop the customer experience of Air Southwest without introducing too much complexity or additional cost. New developments are featured on our website **www.airsouthwest.com** .

Regeneration

Our investment in ReSound (Health) Limited, the Plymouth Local Investment Finance Trust scheme to construct healthcare facilities in Plymouth, has encouraged us to appraise other public/private partnership initiatives in the region. In future it is our intention to participate in similar schemes where there is a good fit with our business strategy. These longer term projects will be balanced by shorter term development projects. We will also continue to work with Plymouth City Council through the Sutton Partnership on the regeneration of sites in the city. The diversity of our regeneration interests will necessitate the recruitment of additional specialists in the coming months.

Marine Activities

Plymouth Fisheries, the fishmarket complex owned and operated by the Company, is now ten years old. The facility is increasingly used by larger vessels and the trend away from the smaller inshore fleet has continued over recent years. Nonetheless, the fishmarket has had an excellent year with £8 million worth of fish landed. During the year we sold our fishing vessel Barbican Maid.

Sutton Harbour Marina continues to be popular with both permanent berth-holders and visitors. We are moving the Harbour Marine Leisure sales business to a unit on the marina so that we can provide on-site sales and advice with longer opening hours and weekend opening.

Nigel Godefroy
Managing Director.

Financial Review

Investor Overview

Earnings per share have advanced by 47% from 4.63p: 2004 (adjusted for one for one capitalisation issue) to 6.81p: 2005.

The one for one capitalisation issue made in August 2004 had the effect of capitalizing £3,036,629 of the share premium account into 12,146,515 additional ordinary shares of 25 pence each. Late in the year 46,144 new ordinary shares of 25 pence each were issued to employees whose SAYE plans matured.

Cash Flow and Liquidity

The group has made some major capital investments and started new projects during the year with a resultant £4,288,000 decrease in cash and cash equivalents. In November 2004 we purchased a Dash 8 aircraft for US$4,100,000 and we paid a deposit of US$1,000,000 for a further aircraft in December 2004. £1,500,000 had been expended by 31 March 2005 on the 57,000 sq ft office building for Department for Works and Pensions and an investment property on the harbour's edge was purchased earlier in the year.

Financing

In recent years the group's gearing has been low and short term overdraft financing has been the most suitable and flexible form of debt. To ensure that the group continues to retain headroom in its normal overdraft facilities, after the year end the two aircraft were refinanced with a 5 year £3million loan through Lombard North Central. The finance is secured against the aircraft. Additionally, after the year end we agreed separate financing of £9million for the 57,000 sq ft office building through Royal Bank of Scotland. Shareholders can in future expect to see the structure of the group's financing split between short term overdraft financing and longer term loan financing. At 31 March 2005 gearing was 17.7% (2004: 3.4%).

Accounting for Aircraft

Two of our aircraft are leased. The group expects to renew the lease of one of these for a further two year period this summer. The lease renewal of the second leased aircraft falls due later this year. Our third aircraft, purchased in November 2004, is accounted for at cost and is depreciated on a straight-line basis over six years to independently assessed residual value. Interim residual valuations will be sought periodically to confirm that this depreciation policy remains appropriate. The cost of the maintenance cycle element has been separated from the total cost of the aircraft and has been separately depreciated over the life of that maintenance. The fourth aircraft, purchased after the year end, will be accounted for in the same way.

Foreign Currency Risk

To hedge the group's exposure to the US$, forward currency contracts at fixed rates have been taken out to cover expenditure for the next year. Many of the costs associated with running the airline are denominated in $US. In the past year the group has continued to benefit from a favourable £/US$ rate.

Fuel Price

The fuel price has increased steadily during the year and is expected to remain high throughout 2005/06. We have taken steps to improve airline revenues to mitigate the increased cost.

Taxation

The group's overall tax charge continues to be close to 30%. In this year capital allowances have been claimed against the aircraft resulting in a reduction of Corporation Tax payable. The Corporation Tax liability has also been reduced by £102,000 thanks to the availability of Advance Corporation Tax (ACT) relief. Shareholders may remember that the ACT debtor was written off to reserves in the year ended 31 March 1999 and this is the first year we are eligible for relief.

Business Property Relief

We continue to believe that investment in the company's shares qualifies for Business Property Relief, but Shareholders and potential investors should take professional advice before acting on this statement.

Natasha Gadsdon
Finance Director.

Directors and Advisers

For the year ended 31 March 2005

Company Number:	2425189
Directors:	M. Ellen Winser (Non-Executive Chairman) Nigel J. Godefroy (Managing Director) Natasha C. Gadsdon (Finance Director) Timothy F. S. Bacon (Executive Director) Sheridan K. Brimacombe (Non Executive Director) Malcolm V.L. Pearce (Non-Executive Director)
Secretary and Registered Office:	Natasha C. Gadsdon North Quay House Sutton Harbour Plymouth. PL4 0RA Tel: 01752 204186 Fax: 01752 205403 www.suttonharbour.co.uk
Independent Auditors:	KPMG Audit Plc Plym House 3 Longbridge Road Marsh Mills Plymouth. PL6 8LT
Nominated Adviser:	WILLIAMS DE BROË plc PO Box 515 6 Broadgate London. EC2M 2RP
Nominated Broker:	ROWAN DARTINGTON & CO LIMITED Colston Tower Colston Street Bristol. BS1 4RD
Registrar:	COMPUTERSHARE SERVICES plc PO Box 82 The Pavilions Bridgewater Road Bristol. BS99 7NH
Bankers:	NATIONAL WESTMINSTER BANK plc 135 Bishopsgate London. EC2N 3UR

The Directors present their report together with the Group Financial Statements for the year ended 31 March 2005.

Results and Dividends

The Group's profit for the year on ordinary activities before taxation amounted to £2,392,000 (2004 : £1,604,000). Detailed results are set out on page 16.

An interim dividend of 1.1p (2004 : 0.9p adjusted for one for one capitalisation issue) net per ordinary share was paid on 7 January 2005. Directors recommend a final dividend of 2.1p (2004 : 1.85p adjusted for one for one capitalisation issue) net per ordinary share representing 3.2p (2004 : 2.75p adjusted for one for one capitalisation issue) for the year.

Principal Activities and Business Review

The principal activities of the Group are regeneration and development within the South West of England region, provision of transportation, harbour and related facilities and the operation of an airline.

This report should be read in conjunction with the Statement from your Chairman and the Operational and Financial Reviews, which provide details of the Group's activities, its financial performance and an indication of future developments.

Market Value of Land and Buildings

In the opinion of the Directors, the market value of the land and buildings of the Group does not significantly exceed the book values of these assets at 31 March 2005.

Creditors Payments

The Group's policy on payment of suppliers is to pay on the 25th day of the month following receipt of invoice unless there is an agreement to the contrary or the invoice is disputed.

At 31 March 2005, the Group had an average of 30 days purchases outstanding in trade creditors (2004 : 30 days). The Company has no trade creditors.

The Group does not follow any code or standard on payment practice.

Donations

During the year the Group made charitable contributions totalling £3,225 (2004 : £1,250).

The Group believes that it is an important part of its role to support the local community and the Group encourages guided school children visits to the airport, fish market, lock and harbour area.

There were no political donations (2004 : none).

Major Shareholdings

As at 25 May 2005 the Company's register of shareholdings showed the following interests in 3% or more of the Company's share capital:

	%	Ordinary shares
Mr. D. McCauley/Rotolok (Holdings) Limited	29.92	7,283,216
James Capel (Nominees) Limited	7.88	1,917,948
Mr T. R. and Mrs. M.E. Winser	7.28	1,771,462
Dartington Portfolio Nominees Limited	4.39	1,067,708
R.C. Greig Nominees Limited	3.93	957,422

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

Directors' Report

Directors and their Interests

M. Ellen Winser - Non-Executive Chairman
Aged 62. Appointed Director in June 1998 and Chairman in August 1998. A member of the Remuneration and Audit Committees and Chairman of the Nomination Committee. She was a Partner in James Capel & Co and London's first woman stockbroker partner. She was the Non-Executive Chairman of Liontrust Asset Management plc and is a Director of a number of other companies and charities.

Nigel J. Godefroy - Managing Director
Aged 40. Appointed Executive Director in November 1996 and Finance Director in June 1999. Appointed Managing Director in October 2004.
A member of the Nomination Committee. He is a Chartered Accountant and has been with the Group since 1992.

Sheridan K. Brimacombe - Non-Executive Director
Aged 62. A Director since April 2001. Chairman of the Audit Committee and member of the Remuneration Committee. She is a Chartered Accountant and a Consultant to Bromhead and Co, Chartered Accountants, Plymouth. She is a Trustee and Treasurer of a number of other organisations.

Natasha C. Gadsdon - Finance Director
Aged 35. 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 Group Company Secretary since 2001.

Malcolm V. L.Pearce - Non-Executive Director
Aged 66. A Director since 2002. Chairman of the Remuneration Committee and a member of the Audit Committee. He is the Chairman of the Johnsons Group. He is Non-Executive Director of Dawson Holdings plc and a Director of a number of other companies.

Timothy F. S. Bacon - Executive Director
Aged 37. Appointed Executive Director in July 2004. He is a Chartered Surveyor and has been with the Group since 2000.

The interests of the Directors, all of which are beneficially held, including family interests, in the Ordinary shares of the Company at 31 March 2005 are set out below. There have been no changes in these interests between 1 April 2005 and 25 May 2005. Nigel Godefroy and Natasha Gadsdon are members of the Company's Save As You Earn share option scheme. Further details are given in note 4 to the Financial Statements. Directors' beneficially held interests as at 31 March 2004 are adjusted to account for the one for one capitalisation issue which was made on 31 August 2004.

		2005	2004 adjusted
M. Ellen Winser		1,771,462	1,269,000
Duncan B. Godefroy	(retired 31 March 2005)	-	228,556
Nigel J. Godefroy		40,000	40,000
Natasha C. Gadsdon	(appointed 1 July 2004)	8,500	-
Timothy F. S. Bacon	(appointed 1 July 2004)	4,848	-
John Humphrey	(retired 14 October 2004)	-	10,500
Sheridan K. Brimacombe		41,124	41,124
Malcolm L. Iley	(resigned 31 August 2004)	-	42,200
Malcolm V.L. Pearce		260,000	260,000
Raymond Wood	(retired 28 July 2004)	-	68,788

In accordance with the Company's Articles of Association Malcolm Pearce retires by rotation at this year's Annual General Meeting and being eligible offers himself for re-election. Additionally, Malcolm Naylor offers himself for election.

Auditors
A resolution to re-appoint KPMG Audit Plc, who have indicated their willingness to continue in office in accordance with Section 385 Companies Act 1985, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board,
Natasha Gadsdon,
Secretary.
25 May 2005

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 three 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 Managing Director are separate. No senior independent Non-Executive Director has been named as it is considered inappropriate with such a small Board.

Committees

Remuneration Committee

The Remuneration Committee is chaired by Malcolm Pearce and its members are Ellen Winser and Sheridan Brimacombe. The committee determines the employment terms and total remuneration of the Executive Directors. The Report on Remuneration is set out on page 13. The Board itself determines the remuneration of the Non-Executive Directors.

Audit Committee

The Audit Committee is chaired by Sheridan Brimacombe and its members are Ellen Winser and Malcolm Pearce. The committee has written terms of reference and provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Finance Director and/or one or both of the other Executive Directors.

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 controls which are in force to ensure the integrity of the financial information reported to the Shareholders.

Nomination Committee

Members of the Nomination Committee are Ellen Winser and Nigel Godefroy. The Nomination Committee is responsible for proposing candidates to the Board having regard to its balance and structure.

Relations with Shareholders

The Chairman's Statement and the Operational and Financial Reviews on pages 2 to 7 include a review of the business and future developments. Shareholders are encouraged to pose questions of the Board at any time of the year and the Board uses the Annual General Meeting to communicate with all investors and welcomes their participation.

Corporate Governance

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 clearly defined authority limits and controls over acquisitions, disposals and risk management.

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.

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 major overruns are investigated. Due diligence work is carried out if a business is to be acquired.

Audit Committee
The Audit Committee monitors the controls that are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by the external Auditors.

Going Concern
After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

By Order of the Board,
Natasha Gadsdon,
Secretary.
25 May 2005

Remuneration
The Group's Remuneration Committee is chaired by Malcolm Pearce and its other members are Ellen Winser and Sheridan Brimacombe. The Committee makes recommendations to the Board on an overall remuneration package for Executive Directors in order to attract, retain and motivate high quality executives capable of achieving the Group's objectives. The package consists of basic salary, benefits, pensions and a performance related bonus.

Under the terms of their contracts the Executive Directors are required to devote all their energies to the furtherance of the Group's objectives and are not empowered to accept any other remunerated appointments.

Individual components of the remuneration package are:

Basic Salary, Benefits and Pensions
The basic salary, bonus based on profits and benefits for each Director are reviewed annually and take into account the performance of the individual and information from independent sources on the salary levels for similar employment. Benefits principally comprise car and private health care. The Executive Directors are members of the Group's pension schemes.

Share Options
The Company has a 'Save as You Earn' scheme in which employees, including the Executive Directors can participate. Their interests are shown in note 4 on page 26. The Non Executive Directors are not eligible to join the scheme.

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

On 1 July 2004 the Group entered into a service contract with Natasha Gadsdon. Under this agreement she is employed as full-time Executive Director with a one year rolling contract. She was appointed Finance Director in October 2004.

On 1 July 2004 the group entered into a service contract with Timothy Bacon. Under this agreement he is employed as full-time Executive Director with a one year rolling contract.

Fees
The fees for Non-Executive Directors are determined by the Board following proposals from the Remuneration Committee. Non-Executive Directors do not have a contract of service and are not eligible to join the pension scheme. No Non-Executive Director has claimed any expenses.

Directors' Remuneration
Directors' remuneration for the year is shown in note 4 on page 26. Such disclosures constitute part of this report.

On behalf of the Board,
Malcolm Pearce,
Director.
25 May 2005

Statement of Directors' Responsibilities

Company Law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period.

In preparing those Financial Statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which 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 1985. They have general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent Auditors' Report

To the Members of Sutton Harbour Holdings plc
We have audited the Financial Statements on pages 16 to 36.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The Directors are responsible for preparing the Directors' Report and, as described on page 14, the Financial Statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the other information accompanying the Financial Statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion
In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc,
Chartered accountants,
Registered Auditor,
Plym House
3 Longbridge Road
Plymouth. PL6 8LT
15 June 2005

KPMG Audit plc

Group Profit and Loss Account

For the year ended 31 March 2005

	Note	2005 £000	2004 £000
Turnover	2	20,479	11,659
Cost of Sales	2	(17,287)	(9,233)
Gross Profit		3,192	2,426
Net Operating Expenses	2	(658)	(725)
Operating Profit	2	2,534	1,701
Profit on Ordinary Activities Before Interest		2,534	1,701
Interest Payable	5	(142)	(97)
Profit on Ordinary Activities Before Taxation	3	2,392	1,604
Current Taxation		(471)	(384)
Deferred Taxation		(266)	(97)
Taxation on Profit on Ordinary Activities	6	(737)	(481)
Profit on Ordinary Activities After Taxation and Attributable to Shareholders		1,655	1,123
Dividends	8	(779)	(668)
Retained Profit for the Year	19	876	455
Earnings per Ordinary 25p share	9		
Basic		6.81p	4.63p*
Diluted		6.76p	4.59p*

All figures relate to continuing activities.

*Adjusted for one for one capitalisation issue

	Note	THE GROUP 2005 £000	THE GROUP 2004 £000	THE COMPANY 2005 £000	THE COMPANY 2004 £000
Fixed Assets					
Intangible Assets	10	646	681	-	-
Tangible Assets	11	35,404	31,210	-	-
Investments	12	70	70	2,217	2,217
		36,120	31,961	2,217	2,217
Current Assets					
Stock	13	4,406	2,904	-	-
Debtors	14	3,793	2,339	7,343	7,248
Cash at Bank and in Hand		4	4	8	8
		8,203	5,247	7,351	7,256
Creditors (amounts falling due within one year)	15	(12,730)	(6,870)	(569)	(511)
Net Current (Liabilities)/Assets		(4,527)	(1,623)	6,782	6,745
Total Assets less Current Liabilities		31,593	30,338	8,999	8,962
Creditors (amounts falling due after more than one year)	16	(46)	(67)	-	-
Provisions for Liabilities and Charges					
Deferred Taxation	17	(1,915)	(1,547)	-	-
		29,632	28,724	8,999	8,962
Capital and Reserves					
Called Up Share Capital	18	6,085	3,037	6,085	3,037
Share Premium Account	20	2,796	5,812	2,796	5,812
Revaluation Reserve	20	9,193	9,193	-	-
Investment Property Revaluation Reserve	20	6,983	6,983	-	-
Other Reserves	20	251	251	-	-
Profit and Loss Account	20	4,324	3,448	118	113
Equity Shareholders' Funds	19	29,632	28,724	8,999	8,962

These Financial Statements were approved by the Board of Directors on 25 May 2005 and were signed on its behalf by:

Ellen Winser,
Chairman.

Consolidated Cash Flow Statement

For the year ended 31 March 2005

	Note	2005 £000	2004 £000
CASH FLOW STATEMENT			
Net Cash Inflow from Operating Activities	25.1	1,376	4,852
Returns on Investments and Servicing of Finance	25.2	(196)	(175)
Taxation		(240)	(561)
Capital Expenditure	25.2	(4,542)	(1,765)
Equity Dividends Paid		(717)	(607)
Financing	25.2	31	-
(Decrease)/Increase in Cash in the Year		(4,288)	1,744
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	25.3		
(Decrease)/Increase in Cash in the Year		(4,288)	1,744
Net Debt at the start of the year		(970)	(2,714)
Net Debt at the end of the year		(5,258)	(970)

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 March 2005

	2005 £000	2004 £000
Unrealised surplus on revaluation of properties	-	3,146
Reported Profit on Ordinary Activities after Taxation	1,655	1,123
Total Recognised Gains and Losses relating to the year	1,655	4,269
Total Gains and Losses recognised since the previous Annual Report and Financial Statements	1,655	4,269

Note of Consolidated Historical Cost Profits and Losses

For the year ended 31 March 2005

	2005 £000	2004 £000
Reported Profit on Ordinary Activities Before Taxation	2,392	1,604
Realisation of property revaluation deficits of previous years	-	(23)
Historical Cost Profit on Ordinary Activities Before Taxation	2,392	1,581
Historical Cost Profit for the year retained after Taxation and Dividends	876	432

1. GROUP ACCOUNTING POLICIES
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's Financial Statements.

a) Accounting Basis
The Financial Statements are prepared under the historical cost convention modified to include the revaluation of certain freehold properties and investments and property held for resale. The Financial Statements are prepared in accordance with applicable accounting standards except where, in the opinion of the Directors, departure is necessary in order to show a true and fair view. The explanations of these departures are given in paragraphs g) & k) below.

b) Consolidated Financial Statements
The Financial Statements incorporate the results of Sutton Harbour Holdings plc and its subsidiary undertakings (see note 12). The Financial Statements have been consolidated in accordance with Financial Reporting Standard 6, Acquisitions and Mergers, and advantage has been taken of the merger relief offered by Section 131 of the Companies Act 1985. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition up to the date of disposal. No Profit and Loss Account is presented for Sutton Harbour Holdings plc as permitted by Section 230(4) of the Companies Act 1985. All subsidiaries have a year end reporting date of 31 March.

c) Turnover
Turnover represents the amounts derived from the provision of goods and services, sales of trading properties and rental of investment properties which fall within the Group's ordinary activities, stated net of value added tax. Airline revenue is treated as deferred income and accounted for as revenue on the flight date. Transactions between Group companies are excluded.

d) Goodwill
Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 April 1998, when Financial Reporting Standard 10 Goodwill and intangible assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 April 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, normally 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. There is no such goodwill at 31 March 2005.

On the subsequent disposal or termination of a business acquired since 1 April 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

In the Company's financial statements, investment in subsidiary undertakings is stated at cost.

e) Intangible Fixed Assets and Amortisation
Intangible fixed assets purchased separately from a business are capitalised at their cost. Amortisation is provided by the Group to write off the cost of intangible fixed assets by equal instalments over their estimated useful life as follows:

Landing rights	5%
Licences	5%

f) Valuation of Freehold Properties
The Group's freehold properties can be divided into three categories:
i. Properties that are mainly owner occupied, or that are an integral part of the Group's harbour and airport operations;
ii. Investment properties, both within and outside the harbour and airport areas, held for investment;
iii. Properties held for resale which are included in stock.

Freehold properties were professionally valued in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors by Stratton Creber Commercial, external Surveyors, at 31 March 2004 on the following basis:

i. Properties that are mainly owner occupied for the purposes of the Group's harbour operations - existing use value with the addition of notional directly attributable acquisition costs;
ii. Specialised properties that are an integral part of the Group's harbour operations (fish market, harbour lock and quays) – depreciated replacement cost;
iii. Properties held as investment properties - open market value.

The revaluation was incorporated in the accounts for the year ended 31 March 2004. With the exception of investment properties, the Directors will undertake an internal property revaluation at least every three years. An external valuation will be undertaken every five years with an annual impairment review in accordance with Financial Reporting Standard 15, Tangible Fixed Assets.

g) Investment Properties
In accordance with Statement of Standard Accounting Practice 19, Accounting for Investment Properties:

i. Investment properties are internally revalued annually at open market values determined in accordance with the Guidance Notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors. Surpluses and deficits arising and the aggregate surplus or deficit is transferred to the revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year; and
ii. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Where properties held for investment are appropriated to trading stock, they are transferred at carrying value. (See k) Stock and Work in Progress).

h) Freehold Properties held for Development
Freehold properties held for development and not for resale are included in the consolidated Balance Sheet, as valued by Stratton Creber Commercial at 31 March 2004, as a partly completed project.

When the time taken to bring a freehold property into use exceeds twelve months, the finance costs incurred in funding land and construction have been capitalised. For this purpose 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 of interest ceases when substantially all the activities that are necessary to get the freehold property ready for use are complete.

i) Depreciation
Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives taking into account residual values of the assets.

Plant and Machinery and Fixtures and Fittings	10% to 25% reducing balance, 10-25 years straight line
Long Leasehold/Short Leasehold Property	Remaining period of lease
Rotable Aircraft Components	10 years straight line
Dash 8 Aircraft	6 years straight line to residual value
Dash 8 Maintenance	Straight line over period until next overhaul

Properties that are mainly owner occupied and specialised properties are not depreciated. The useful economic lives of these properties are estimated to be greater than 50 years. The Directors consider that the lives of such freehold properties and their residual values (based on prices prevailing at the time of acquisition or subsequent valuation) are such that their depreciation is immaterial. In the case of the lock, major maintenance and renewal are the defined responsibilities of the Environment Agency. To ensure that the carrying amount of these properties can be supported, the carrying amounts are subject to annual impairment reviews in accordance with Financial Reporting Standard 11, Impairment of Fixed Assets.

The non provision of depreciation of freehold property combined with annual impairment reviews is in accordance with Financial Reporting Standard 15, Tangible Fixed Assets.

j) Government Grants
Capital based government grants are included within accruals and deferred income in the Balance Sheet and credited to the Profit and Loss Account over the estimated useful economic lives of the assets to which they relate.

k) Stock and Work in Progress
Properties held for re-sale
Properties held for resale are included in current assets at the lower of cost and net realisable value. For properties previously held for investment which the directors have decided to sell and which are reclassified as stock, cost is considered to be the latest valuation prior to their reclassification. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires current assets to be included at the lower of cost and net realisable value, and which would therefore require such properties to be restated on the basis of historical cost when they were reclassified. The Directors consider that compliance with this requirement would fail to give a true and fair view of the profit or loss to the Group on disposal of such properties from current assets, since such profit or loss would be dependent on the classification of the asset immediately prior to sale. Given the nature of the assets the effect of this departure cannot be quantified.
Other Stocks
Stock and work in progress which comprise goods for re-sale and tools of trade are valued at the lower of cost and net realisable value. Cost is represented by direct materials purchased on a First In First Out basis plus labour together with attributable amounts of fixed and variable overheads incurred in bringing each product and service to its present location and condition. Net realisable value is defined as estimated selling price less costs of disposal or an estimated benefit derived from further use.

l) Long-Term Contracts
The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

m) Operating Leases
Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

n) Foreign Currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction (or, if hedged forward, at a rate of exchange under the related forward currency contract). Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the Balance Sheet date and gains and losses on transactions are included in the Profit and Loss Account.

o) 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.

The Group has provided for deferred tax in full. Deferred taxation is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the Balance Sheet date.

Timing differences are differences between the Group's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Deferred Taxation is not recognised when fixed assets are revalued unless by the Balance Sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the Financial Statements.

Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred taxation is measured on a non-discounted basis.

p) Pensions
The Group operates a number of defined contribution pension schemes for its employees whereby contributions are charged to the Profit and Loss Account as they become payable in accordance with the rules of the scheme.

q) Share Option Scheme
The group operates an Inland Revenue approved Save As You Earn employee share option scheme for the benefit of all eligible employees and has taken advantage of the exemption given in UITF Abstract 17 Employee Share Schemes from recognising a charge in the Profit and Loss Account for the discount on the options.

2. SEGMENTAL ANALYSIS

	2005			2004		
	Turnover	Cost of Sales	Operating Profit	Turnover	Cost of Sales	Operating Profit
	£000	£000	£000	£000	£000	£000
Marine Activities	3,662	2,717	945	3,226	2,330	896
Regeneration	2,005	712	1,293	3,365	1,601	1,764
Transport	14,812	13,858	954	5,068	5,302	(234)
	20,479	17,287	3,192	11,659	9,233	2,426
Net Operating Expenses			(658)			(725)
Operating Profit			2,534			1,701
Interest Payable			(142)			(97)
Profit on Ordinary Activities Before Taxation			2,392			1,604

Net Assets	2005 £000	2004 £000
Marine Activities and Regeneration	23,509	25,553
Transport	6,123	3,171
	29,632	28,724

Segmental Analysis has been grouped under three main headings which cover the three principal activities of the Group. Marine activities includes Fishing related and Marine leisure activities. Regeneration includes Property and related activities. Transport includes Airport and Airline operations.

Net Operating Expenses are not split between segments as they represent central overheads and head office costs.

	2005 £000	2004 £000
3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on Ordinary Activities Before Taxation is stated after charging/(crediting):		
Auditors' Remuneration		
: Audit (Company)	3	1
: Audit (Group)	40	33
: Other (Group)	25	35
Loss on sale of Tangible Fixed Assets	36	8
Depreciation of Tangible Fixed Assets	312	189
Amortisation of Intangible Fixed Assets	35	14
Amortisation of Grants on Tangible Fixed Assets	(2)	(8)
Operating Lease Rentals : In respect of Plant & Machinery/Aircraft	692	218
Foreign Exchange Losses	54	3

	2005 £000	2004 £000
Employment Costs (excluding Non-Executive Directors)		
Wages and Salaries	3,874	2,587
Social Security Costs	402	260
Pension Costs	162	124
	4,438	2,971

The average number of people employed by the Group (excluding Non-Executive Directors) during the year was:

	2005	2004
Marine Activities	23	24
Regeneration	8	6
Transport	120	75
Administration	13	11
	164	116

4. DIRECTORS' REMUNERATION

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

	2005 £000	2004 £000
Fees	54	66
Other Emoluments	306	270
Pension Contributions	36	41
	396	377

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

	Directors' Salaries and Bonuses £000	Taxable Benefits £000	Directors' Fees £000	Total 2005 £000	Total 2004 £000
M. Ellen Winser	-	-	23	23	22
Duncan B. Godefroy (retired 31 March 2005)	64	4	5	73	114
Nigel J. Godefroy	92	10	-	102	86
John Humphrey (retired 14 October 2004)	33	5	-	38	70
Natasha C. Gadsdon (appointed 1 July 2004)	44	4	-	48	-
Timothy F. S. Bacon (appointed 1 July 2004)	44	6	-	50	-
Sheridan K. Brimacombe	-	-	11	11	11
Malcolm L. Iley (resigned 31 August 2004)	-	-	-	-	11
Malcolm V. L. Pearce	-	-	11	11	11
Raymond Wood (retired 28 July 2004)	-	-	4	4	11
	277	29	54	360	336

Included in Directors' salaries, Duncan Godefroy received a share of Group profits of £15,119 (2004: £17,350) and Nigel Godefroy £10,891 (2004: £11,761). No other Directors received a share of profits in the period (2004: Nil). The pension contributions made in respect of the Executive Directors were £8,261 (2004: £14,055) in respect of Duncan Godefroy, £8,100 (2004: £6,750) in respect of Nigel Godefroy, £10,853 (2004: £20,000) in respect of John Humphrey, £4,375 (2004: £Nil) in respect of Natasha Gadsdon, and £4,375 (2004 : £Nil) in respect of Timothy Bacon.

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 options are as follows:

	At 1 April 2004	Share Option Adjustment	Number of options Granted	Options Exercised	At 31 March 2005	Exercise price	Date from which Exercisable	Expiry Date
Duncan B. Godefroy	7,123	7,123	-	14,246	-	68p	-	-
Nigel J. Godefroy	12,408	12,408	-	-	24,816	68p	1 December 2006	31 May 2007
Natasha C. Gadsdon	12,408	12,408	-	-	24,816	68p	1 December 2006	31 May 2007
Timothy F. S. Bacon	1,424	1,424	-	2,848	-	68p	-	-

The market price of the shares was 198p at 31 March 2005. The maximum and minimum prices of the shares during the year were 220p and 90.5p respectively (adjusted for one for one capitalisation). Options were granted on 5 October 2001 when the market price was 170p (85p adjusted for one for one capitalisation).

The Share Option Adjustment was applied on 31 August 2004 following the one for one share capitalisation issue. The Exercise Price was reduced accordingly from 136p to 68p.

In accordance with scheme rules, Duncan Godefroy's options were exercisable from the date he retired as an Executive Director, 30 September 2004. He exercised options over 14,246 shares on 2 December 2004, when the market price was 140.5 pence.

In accordance with scheme rules, Timothy Bacon exercised options over 2,848 shares on 2 December 2004, when the market price was 140.5 pence.

5. INTEREST PAYABLE	2005 £000	2004 £000
Bank overdraft interest payable	194	183
Interest receivable	(11)	-
Less: Interest Capitalised	(41)	(86)
	142	97

The interest capitalised during the year related to properties under development.

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2005 £000	2004 £000
Current Tax		
UK Corporation Tax on profits of the period		
At 30% (2004 : 30%)	464	360
Adjustments in respect of previous periods	7	24
Total Current Tax	471	384
Deferred Tax		
Current year, origination and reversal of timing differences	264	121
Adjustments in respect of previous periods	2	(24)
Tax on profit on ordinary activities	737	481

Factors affecting tax charge for the period
The tax assessed for the period is lower (2004 : lower) than the standard rate of Corporation Tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before tax	2,392	1,604
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2004 : 30%)	718	481
Effects of:		
Expenses not deductible for tax purposes	10	6
Capital allowances in excess of depreciation	(264)	(94)
Origination and reversal of timing differences	-	(27)
Utilisation of tax losses	-	(7)
Adjustments to tax charge in respect of previous periods	7	24
Gain on revaluation of properties in prior periods now realised	-	7
Impact of differing tax rates	-	(6)
Current tax charge for period	471	384

7. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The consolidated profit for the year includes a profit of £784,000 (2004 : £665,000) in respect of the Accounts of the Parent Company.

	2005 £000	2004 £000
8. DIVIDENDS ON EQUITY SHARES		
Ordinary shares		
Interim Paid 1.1p net per share (2004 : 0.9p adjusted for capitalisation issue)	268	218
Final Proposed 2.1p net per share (2004 : 1.85p adjusted for capitalisation issue)	511	450
	779	668

9. EARNINGS PER SHARE

Earnings per share have been calculated using the profit for the financial year of £1,655,000 (2004: £1,123,000) and the number of ordinary shares in issue excluding those options granted under the SAYE Scheme. Diluted Earnings per Share uses an average number of 24,499,460 (2004: 24,499,460) ordinary shares in issue which takes account of the outstanding options under the SAYE scheme in accordance with Financial Reporting Standard 14 Earnings per share and uses an adjusted comparative to take account of the one for one capitalisation issue in August 2004.

10. INTANGIBLE ASSETS

	Landing Rights £000	Licences £000	Total £000
THE GROUP			
Cost or Valuation			
At 1 April 2004 and 31 March 2005	600	95	695
Amortisation			
At 1 April 2004	12	2	14
Amortised during year	30	5	35
At 31 March 2005	42	7	49
Net Book Value			
At 31 March 2005	558	88	646
At 31 March 2004	588	93	681

Landing Rights to slots at London Gatwick Airport were acquired from British Airways plc by Air South West Limited.

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

The Company holds no Intangible Assets.

11. TANGIBLE ASSETS

	Freehold Property £000	Freehold Investment Property £000	Leasehold Property £000	Plant & Machinery, Fixtures & Fittings £000	Aircraft £000	Total £000
THE GROUP						
Cost or Valuation						
At 1 April 2004	15,666	10,963	3,325	2,448	-	32,402
Additions	163	807	445	297	2,946	4,658
Disposals	-	-	-	(228)	-	(228)
At 31 March 2005	15,829	11,770	3,770	2,517	2,946	36,832
Depreciation						
At 1 April 2004	-	-	-	1,192	-	1,192
Charge for the year	-	-	5	248	59	312
Disposals	-	-	-	(76)	-	(76)
At 31 March 2005	-	-	5	1,364	59	1,428
Net Book Value						
At 31 March 2005	15,829	11,770	3,765	1,153	2,887	35,404
At 31 March 2004	15,666	10,963	3,325	1,256	-	31,210

Freehold and long leasehold properties were professionally valued in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors by Stratton Creber Commercial, external Surveyors in accordance with Financial Reporting Standard 15 Tangible Fixed Assets on 31 March 2004. The valuation was £29,954,000 comprising:

	£000
i. Existing use value Properties mainly owner occupied for the purposes of the business (including notional directly attributable acquisition costs of £239,000)	7,600
ii. Open Market Value Properties held as investments	11,464
iii. Depreciated Replacement Cost Specialised properties mainly occupied for the business	10,890
	29,954

The historical cost of the properties net of grant included in the valuation was £13,779,000.
The Directors have reviewed the portfolio for impairment and consider no impairment has arisen.
The cumulative amount of capitalised interest included in the above historical cost of fixed assets is:

	£000
At 1 April 2004 and 31 March 2005	1,233

The Company does not hold any tangible fixed assets.

12. INVESTMENTS

	Shares in Group Investments £000	Other Investments £000	Total £000
THE GROUP			
Cost			
At 1 April 2004 and at 31 March 2005	-	70	70
THE COMPANY			
Cost			
At 1 April 2004 and at 31 March 2005	2,217	-	2,217

The Other Investments are various paintings and antiques held in the Group's possession.

Subsidiaries that are directly owned by the parent company are included in the consolidation.

Details of the investments in which the Company holds more than 10% of the nominal value of any class of share capital are as follows:

Company Name	Country of Registration	Holding	Proportion of voting rights and shares held	Nature of Business
Sutton Harbour Company	England & Wales	Ordinary shares	100%	Harbour Authority
Sutton Harbour Services Limited	England & Wales	Ordinary shares	100%	Marine Leisure and Property
Plymouth Fisheries Limited	England & Wales	Ordinary shares	100%	Dormant
Sutton Harbour Development Limited	England & Wales	Ordinary shares	100%	Dormant
Newquay Cornwall International Airport Limited	England & Wales	Ordinary shares	100%	Dormant
Plymouth City Airport Limited	England & Wales	Ordinary shares	100%	Airport Operator
Air South West Limited	England & Wales	Ordinary Shares	100%	Airline Operator
LIFT Investments Limited	England & Wales	Ordinary Shares	62%	Joint Venture Holding Company
ReSound (Health) Limited	England & Wales	Ordinary Shares	*	Health Care Premises
ReSound (Mount Gould) Limited	England & Wales	Ordinary Shares	*	Health Care Premises

* LIFT Investments Limited, of which 62% is owned by Sutton Harbour Holdings plc, has a 60% holding in both ReSound (Health) Limited and ReSound (Mount Gould) Limited. Sutton Harbour Holdings plc thus has an effective 37.2% holding in the ReSound companies. In the year ended 31 March 2005 the share of the loss, £24,996 (2004 : £nil), attributable to this interest has been included in Net Operating Expenses. As this loss is not material to these accounts, full joint venture accounting disclosures are not given.

13. STOCK	THE GROUP 2005 £000	THE GROUP 2004 £000	THE COMPANY 2005 £000	THE COMPANY 2004 £000
Stores and Materials	296	267	-	-
Work in Progress	66	84	-	-
Goods for Resale	502	463	-	-
Properties held for Resale	3,542	2,090	-	-
	4,406	2,904	-	-

Properties held for resale include £121,000 capitalised interest (2004: £80,000). £41,000 was capitalised in the year (2004 : £86,000). In the year ended 31 March 2004, £106,000 capitalised interest was disposed (2005 : £nil). The overall interest capitalisation rate during the year was 5.59% (2004 : 4.71%).

14. DEBTORS	THE GROUP 2005 £000	THE GROUP 2004 £000	THE COMPANY 2005 £000	THE COMPANY 2004 £000
Trade Debtors	2,467	1,482	-	-
Amounts owed by Subsidiary Undertakings	-	-	7,088	7,248
Other Debtors	346	247	-	-
Prepayments and Accrued Income	725	610	-	-
Loan to Joint Venture Company	255	-	255	-
	3,793	2,339	7,343	7,248

Included within Prepayments and Accrued Income is £114,000 in respect of debtors falling due after more than one year. (2004: £81,000). The loan to Joint Venture Company is a debtor which will fall due after more than one year.

15. CREDITORS (amounts falling due within one year)	THE GROUP 2005 £000	THE GROUP 2004 £000	THE COMPANY 2005 £000	THE COMPANY 2004 £000
Bank Overdraft	5,262	974	45	50
Trade Creditors	1,976	1,157	-	-
Corporation Tax	262	134	-	-
Other Taxation and Social Security Costs	369	478	-	-
Other Creditors	378	465	13	11
Payments on Account	125	850	-	-
Accruals and Deferred Income	3,847	2,362	-	-
Proposed Dividend	511	450	511	450
	12,730	6,870	569	511

The group uses financial instruments other than derivatives, comprising bank overdraft and various items including trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. It is, and has been throughout the year under review, Group policy that no trading in financial instruments shall be undertaken.

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 bank overdraft is secured by fixed and floating charges over the assets of the Group. The benchmark rate for determining interest on the bank overdraft is LIBOR plus 1%. The Group has undrawn committed borrowing facilities at 31 March 2005 of £100,000 expiring within one year and undrawn overdraft facilities at 31 March 2005 of £1,155,000 expiring within one year.

	THE GROUP		THE COMPANY	
	2005 £000	2004 £000	2005 £000	2004 £000
16. CREDITORS				
(amounts falling due after more than one year)				
Rental Received in Advance	25	40	-	-
Deferred Income - Grants	21	27	-	-
	46	67	-	-

17. PROVISIONS FOR LIABILITIES AND CHARGES

	£000
Deferred Taxation	
At 1 April 2004	1,547
Charge to the profit and loss account in the year	266
Advance Corporation Tax relief	102
At 31 March 2005	1,915

Deferred Taxation provided in the Balance Sheets and amounts not provided are as follows:

	PROVIDED		NOT PROVIDED	
	2005 £000	2004 £000	2005 £000	2004 £000
THE GROUP				
Capital Allowances in Advance of Depreciation	2,191	1,925	-	-
Rolled Over Capital Gains	-	-	657	657
	2,191	1,925	657	657
Less: Advance Corporation Tax	(276)	(378)	-	-
	1,915	1,547	657	657

No Deferred Taxation has been provided on the freehold land and buildings revalued on 31 March 2004 as it is not anticipated that any buildings giving rise to a material gain will be disposed of in the foreseeable future. If Deferred Taxation was provided on revalued properties the estimated liability would be £4,853,000.

THE COMPANY
There is no provided or unprovided Deferred Taxation in respect of the Company.

	2005 £000	2004 £000
18. SHARE CAPITAL		
Authorised:		
40,000,000 Ordinary shares of 25p each	10,000	10,000
Allotted, Called Up and Fully Paid:		
24,339,174 Ordinary shares of 25p each	6,085	3,037

On 31 August 2004, 12,146,515 Ordinary Shares of 25p each were issued to shareholders on a one for one basis. 46,144 Ordinary Shares of 25p each were issued during the year as employees exercised share options under the Company's Save As You Earn Share Scheme.

Details of options held by employees, including Executive Directors, of the Group under the Company's Save As You Earn Scheme to acquire Ordinary shares in the Company are as follows:

	At 1 April 2004	Share Option Adjustment	Options Cancelled	Options Exercised	At 31 March 2005	Exercise Price	Date from which Exercisable	Expiry Date
2001 – 3 year SAYE plan	24,496	24,496	-	46,144	2,848	68p	1 June 2005	31 Nov 2006
2001 – 5 year SAYE plan	50,621	50,621	-	-	101,242	68p	1 Dec 2006	31 May 2007
2001 – 7 year SAYE plan	28,100	28,100	-	-	56,200	68p	1 Dec 2008	31 May 2009
	103,217	103,217	-	46,144	160,290			

The Share Option Adjustment was applied on 31 August 2004 following the one for one capitalisation issue.
The Exercise Price was reduced accordingly from 136p to 68p. The Company received £31,378 in consideration for 46,144 share options exercised.

	2005 £000	2004 £000
19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
THE GROUP		
Reported Profit in Group Companies for the Year	1,655	1,123
Dividends	(779)	(668)
Retained Profit for the Year	876	455
Revaluation Reserve Adjustment	-	3,146
Share Issue	11	-
Premium on Share Issue	21	-
Net Addition to Shareholders' Funds	908	3,601
Opening Shareholders' funds	28,724	25,123
Closing Shareholders' funds	29,632	28,724

	2005 £000	2004 £000
THE COMPANY		
Reported Profit for the year	784	665
Dividends	(779)	(668)
Retained Profit/(Loss) for the year	5	(3)
Share Issue	11	-
Premium on Share Issue	21	-
Net Addition/(Withdrawal) to/from Shareholders' funds	37	(3)
Opening Shareholders' funds	8,962	8,965
Closing Shareholders' funds	8,999	8,962

20. RESERVES

	Share Premium Account £000	Revaluation Reserve £000	Investment Property Revaluation £000	Other Reserves Capital Reserve £000	Other Reserves Merger Reserve £000	Profit and Loss Account £000
THE GROUP						
At 1 April 2004	5,812	9,193	6,983	143	108	3,448
Capitalisation Issue	(3,037)	-	-	-	-	-
Premium on Share Issue	21	-	-	-	-	-
Profit for the year	-	-	-	-	-	1,655
Dividends	-	-	-	-	-	(779)
At 31 March 2005	2,796	9,193	6,983	143	108	4,324

The cumulative total of goodwill written off against the group Profit and Loss Account reserve in respect of acquisitions prior to 1 April 1998 when Financial Reporting Standard 10 Goodwill and Intangible Assets was adopted amounts to £25,000 (2004 : £25,000).

	Share Premium Account £000	Profit and Loss Account £000
THE COMPANY		
At 1 April 2004	5,812	113
Capitalisation Issue	(3,037)	-
Premium on Share Issue	21	-
Profit for the year	-	784
Dividends	-	(779)
At 31 March 2005	2,796	118

21. OPERATING LEASES

	2005 £000	2004 £000
Annual commitments under non-cancellable operating leases are as follows:		
Operating leases which expire:		
Within one year	468	21
Within two to five years	35	682
	503	703

None of the operating leases was in respect of Land and Buildings. Lease commitments within one year include leases of two Dash 8 aircraft. Lease commitments for these aircraft are in US$ and were translated into £ Sterling at the exchange rate in force on 31 March 2005. The Company has no operating lease commitments.

22. FUTURE COMMITMENTS

Capital Commitments

On 7 April 2005 the Group entered into an agreement with Land Securities Trillium to develop a 57,000 sq ft office building with £10 million outstanding at the year end (2004: £Nil).

On 23 December 2004 the Group entered into an agreement with Bombardier de Havilland to purchase a Dash 8 aircraft costing US$3,700,000. A deposit of US$1,000,000 had been paid on 21 December 2004.

23. PENSION SCHEME

The Group operates defined contribution pension schemes and a group personal pension scheme for certain employees. *The assets of the schemes are held separately from those of the Group in an independently administered fund.* At 31 March 2005 the group had a total pension creditor of £22,105 (2004 : £Nil).

24. CONTINGENT LIABILITIES

The Company has given an unlimited guarantee in respect of bank borrowings of all subsidiary companies. At 31 March 2005 these borrowings amounted to £4,969,000 (2004 : £2,440,000).

The Group has given guarantees and placed bonds in favour of BEC Aviations and the Civil Aviation Authority in the sums of £130,000 and £150,000 respectively.

25. NOTES TO GROUP CASH FLOW STATEMENT

25.1 Reconciliation of Operating Profit to net cash inflow from operating activities

	2005 £000	2004 £000
Operating Profit	2,534	1,701
Depreciation Charges	312	189
Amortisation of Intangible Assets	35	14
Amortisation of Grants	(2)	(8)
Loss on Sale of Tangible Fixed Assets	36	8
(Increase)/Decrease in Stock	(1,461)	713
(Increase) in Debtors	(1,455)	(535)
Increase in Creditors	1,377	2,770
	1,376	4,852

25.2 Analysis of cash flows for headings netted in the group cash flow statement

	2005 £000	2004 £000
Returns on Investments and Servicing of Finance		
Interest Paid	(225)	(175)
Interest Received	29	-
	(196)	(175)
Capital Expenditure		
Payments to acquire Intangible Fixed Assets	-	(695)
Payments to acquire Tangible Fixed Assets	(4,658)	(1,070)
Receipts from sale of Tangible Fixed Assets	116	-
	(4,542)	(1,765)
Financing		
Issue of Share Capital	11	-
Premium on Share Capital	20	-
	31	-

25.3 Analysis of changes in net debt

	At 1 April 2004 £000	Cash Flow £000	At 31 March 2005 £000
Cash at Bank and in Hand	4	-	4
Bank Overdraft	(974)	(4,288)	(5,262)
	(970)	(4,288)	(5,258)

Historical Financial Information

For the years ended 31 March

	2005 £000	2004 £000	2003 £000	2002 £000	2001 (As re-stated) £000
Net Assets	29,632	28,724	25,123	24,647	22,564
Turnover	20,479	11,659	9,572	8,201	8,691
Operating Profit	2,534	1,701	1,653	1,725	1,738
*Adjusted Operating Profit	2,534	1,870	1,653	1,547	1,457
Interest Payable	(142)	(97)	(110)	(138)	(227)
Profit on Ordinary Activities Before Taxation	2,392	1,604	1,543	1,587	1,577
Profit Attributable to Shareholders	1,655	1,123	1,083	1,120	1,112
Dividends	779	668	607	583	547
Basic Earnings per Share	6.81p	4.63p†	4.46p†	4.61p†	4.62p†
Diluted Earnings per Share	6.76p	4.59p†	4.42p†	4.57p†	4.62p†
Dividend per Ordinary share	3.2p	2.75p†	2.5p†	2.4p†	2.25p†

2001 figures have been re-stated for the effects of Deferred Taxation.

*Adjusted Operating Profit is stated excluding profit on sales of investment properties and airline start-up costs.
†Adjusted for one for one capitalisation issue.