

Sovereign Harbour Limited

**Directors' report and financial
statements**

Registered number 2217605

Year ended 31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activities and business review

On 1 July 2001, Carillion Regional Construction Limited assigned and transferred to Sovereign Harbour Limited all the beneficial interests and assets of Carillion Regional Construction Limited. Sovereign Harbour Limited became the full legal and beneficial owner of those assets.

The company commenced trading on 1 July 2001 as a marina operator.

The directors anticipate that the company will continue in its present role within the Carillion Group during 2002.

Proposed dividend

The profit before taxation was £3,816,022 (2000: £Nil).

The directors do not recommend the payment of a dividend for the year (2000: £Nil).

Directors and directors' interests

The directors who served during the year were:

| | |
|-------------|-----------------------------|
| SP Eastwood | |
| CF Girling | (appointed 16 May 2001) |
| MW Orriss | (appointed 31 July 2001) |
| RW Robinson | (appointed 31 July 2001) |
| RF Tapp | (appointed 1 December 2001) |
| DO FitzHugh | (resigned 1 December 2001) |
| GA Cooper | (resigned 31 July 2001) |
| B Pellard | (resigned 31 July 2001) |
| BJ Sharples | (resigned 16 May 2001) |

None of the directors had any interests in the share or loan capital of the company, or subsidiary of Carillion plc during the year.

The directors who held office at the end of the financial year and their families, other than those whose interests are disclosed in the financial statements of the immediate or ultimate holding company, had the following interests in, and options to subscribe for, ordinary shares of 50p each in Carillion plc:

Number of shares

| | At 31 December 2001 | | At 1 January 2001 or date of appointment if later | | Share option movements in year | | |
|-------------|---------------------|-------------------------|---|-------------------------|--------------------------------|---------------------|------------------|
| | Shares Number | Share options Number | Shares Number | Share options Number | granted Number | exercised Number | lapsed Number |
| SP Eastwood | 17,501 | 122,885 | 17,501 | 86,726 | 36,159 | - | - |
| MW Orriss | - | 1,775 | - | 1,775 | - | - | - |

No director was materially interested during the year in any contract which was significant in relation to the business of the company.

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution for the re-appointment of KPMG Audit Plc as auditor of the company will be proposed at the Annual General Meeting.

Approved by the Board on 13 March 2002 and signed on its behalf by:



RF Tapp
Secretary

Birch Street
Wolverhampton
WV1 4HY

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Sovereign Harbour Limited

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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.

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 company'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 the company's affairs as at 31 December 2001 and of its profit for the seven months period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

13 March 2002

Profit and loss account
for the period ended 31 December 2001

| | <i>Note</i> | Period to 31 December 2001 £ |
|--|-------------|---|
| Turnover | <i>1</i> | 8,244,153 |
| Cost of sales | | (4,001,377) |
| | | <hr/> |
| Gross profit | | 4,242,776 |
| Administrative expenses | | (219,735) |
| | | <hr/> |
| Operating profit on ordinary activities | | 4,023,041 |
| Interest receivable | | 981 |
| Interest payable to group undertakings | | (208,000) |
| | | <hr/> |
| Profit on ordinary activities before taxation | <i>2</i> | 3,816,022 |
| Tax on profit on ordinary activities | <i>4</i> | (1,188,000) |
| | | <hr/> |
| Profit for the financial year | | 2,628,022 |
| Retained profit/(loss) brought forward | | - |
| | | <hr/> |
| Retained profit carried forward | | 2,628,022 |
| | | <hr/> |

The company did not trade during 2000.

The company commenced trade on 1 July 2001 and therefore the above results represent seven months trading.

There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis in either the current or preceding financial year.

There were no recognised gains and losses in either the current or preceding financial year other than the profit or loss for those years. All amounts relate to continuing operations.

Balance sheet
at 31 December 2001

| | <i>Note</i> | 2001 £ | 2000 £ |
|---|-------------|------------------|---------------|
| Fixed assets | | | |
| Investments | 5 | 100,000 | 100,000 |
| Current assets | | | |
| Stocks | 6 | 11,992,763 | - |
| Debtors | 7 | 2,886,421 | - |
| | | <hr/> 14,879,184 | <hr/> - |
| Creditors: amounts falling due within one year | 8 | (12,251,162) | - |
| Net current assets | | <hr/> 2,628,022 | <hr/> - |
| Net assets | | <hr/> 2,728,022 | <hr/> 100,000 |
| Capital and reserves | | | |
| Called up share capital | 10 | 100,000 | 100,000 |
| Profit and loss account | | 2,628,022 | - |
| Equity shareholders' funds | 11 | <hr/> 2,728,022 | <hr/> 100,000 |

These financial statements were approved by the Board of directors on 13 March 2002 and were signed on its behalf by:



SP Eastwood
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Group accounts

The company is exempt under section 228 Companies Act 1985 from the requirement to prepare group accounts and deliver them to the Registrar of Companies. The financial statements therefore present information about the company as an individual undertaking and not about its group. The company is included within the consolidated financial statements of Carillion plc, the company's ultimate parent undertaking.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking Carillion plc includes the company's cash flows in its own published consolidated cash flow statement.

Turnover

Turnover represents rental income and the value of realisations made during the year, excluding value added tax. All turnover arises in the UK.

Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in the carrying value of the investment.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes appropriate overheads.

Taxation

The charge for taxation is based on the result for the year and takes into account deferred taxation calculated using the liability method, which is included only where the effects of timing differences between results as stated in the financial statements and as computed for taxation purposes are, in the opinion of the directors, likely to crystallise in the foreseeable future.

2 Operating profit on ordinary activities before taxation

| | 2001 | 2000 |
|--|-------|------|
| | £ | £ |
| Operating profit on ordinary activities before taxation is stated after charging | | |
| Auditors' remuneration - audit work | 1,500 | - |

The above audit fee represents a recharged amount from Carillion plc.

Notes (continued)

3 Directors' emoluments

The directors, who are the only employees of the company, have neither received nor waived any remuneration during the year (2000: £Nil).

4 Tax on operating profit

| | 2001 £ | 2000 £ |
|---------------------------|-----------|-----------|
| UK corporation tax at 30% | 1,188,000 | - |

5 Investments

| | 2001 £ | 2000 £ |
|--|-----------|-----------|
| Shares in subsidiary undertaking at cost | 100,000 | 100,000 |

The investment is in the issued share capital of Eastbourne Harbour Company Limited, a company registered in England and Wales.

The investment is stated at cost which is in excess of the net assets of Eastbourne Harbour Company Limited.

The directors do not consider the investment to be impaired on the basis that the market value of the land within Eastbourne Harbour Company Limited continues to exceed the amount shown in the balance sheet of that company by an amount greater than the net asset shortfall.

6 Stock

| | 2001 £ | 2000 £ |
|------------------------------|------------|-----------|
| Development work in progress | 11,992,763 | - |

7 Debtors

| | 2001 £ | 2000 £ |
|---|-----------------|-----------|
| Amounts falling due within one year: | | |
| Trade debtors | 2,709,931 | - |
| Other debtors | 117,991 | - |
| Prepayments and accrued income | 8,499 | - |
| | <hr/> 2,836,421 | <hr/> - |
| Amounts falling due after more than one year: | | |
| Trade debtors | 50,000 | - |
| | <hr/> 2,886,421 | <hr/> - |

Notes (continued)

8 Creditors: amounts falling due within one year

| | 2001 £ | 2000 £ |
|------------------------------------|------------------|-----------|
| Trade creditors | 9,283 | - |
| Amounts owed to group undertakings | 7,159,593 | - |
| Corporation tax | 1,354,300 | - |
| Group taxation relief | 2,219,100 | - |
| Other taxation and social security | 1,391,317 | - |
| Other creditors | 42,372 | - |
| Accruals and deferred income | 75,197 | - |
| | <hr/> 12,251,162 | <hr/> - |

9 Deferred Taxation

The amounts recognised and unrecognised for deferred taxation are set out below:

| | 2001 | | 2000 |
|--------------------------|----------------------------|--------------------------------|----------------------------|
| | Amounts recognised £ | Amounts not recognised £ | Amounts recognised £ |
| Other timing differences | - | 252,400 | - |

10 Share capital

| | 2001 £ | 2000 £ |
|--|-----------|-----------|
| Authorised: | | |
| 1,000,000 ordinary shares of £1 each | 1,000,000 | 1,000,000 |
| Allotted, called up and fully paid: | | |
| 100,000 ordinary shares of £1 each | 100,000 | 100,000 |

11 Reconciliation of movements in shareholders' funds

| | 2001 £ | 2000 £ |
|--|-----------------|---------------|
| Profit for the financial year | 2,628,022 | - |
| Shareholders' funds at beginning of year | 100,000 | 100,000 |
| Shareholders' funds at end of year | <hr/> 2,728,022 | <hr/> 100,000 |

12 Contingent liabilities

The company has entered into a number of performance bonds as part of its ongoing development business.

Notes *(continued)*

13 Related party disclosures

As a wholly owned subsidiary of Carillion plc, the company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the Carillion plc group. Note 14 provides details of how to obtain a copy of the published financial statements of Carillion plc.

14 Controlling and parent companies

The company's controlling company is Carillion Construction Limited, its immediate parent company, whilst the company's ultimate controlling company is Carillion plc, its ultimate parent company, both of which are registered in England and Wales.

Copies of the group financial statements of Carillion plc are available from Birch Street, Wolverhampton, WV1 4HY.