

Sovereign Harbour Limited

**Directors' report and financial
statements**

Registered number 2217605

Year ended 31 December 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities and business review

The company is principally engaged in the development of a harbour village complex at Eastbourne.

The directors anticipate that the company will continue in its present role within the Carillion Group during 2006.

Proposed dividend

The loss before taxation was £150,277 (2004: profit £2,207,521).

The directors proposed and paid a dividend of £8,000,000 (2004: £Nil).

Directors and directors' interests

The directors who served during the year were:

SP Eastwood
CF Girling
MW Orriss
RW Robinson
RF Tapp

None of the directors had any interests in the share or loan capital of the company, or any 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:

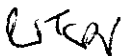
Number of shares	At 1 January 2005		Share option movements in year			At 31 December 2005	
	Shares Number	Share options Number	Granted Number	Exercised Number	Lapsed Number	Shares Number	Share options Number
SP Eastwood	16,878	58,315	30,096	-	-	5,443	88,411
MW Orriss	1,775	1,821	-	-	-	1,775	1,821
RF Tapp	6,089	403,424	77,367	77,193	13,623	53,016	389,975

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

Auditor

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 8 March 2006 and signed on its behalf by:



RF Tapp
Secretary

Birch Street
Wolverhampton
WV1 4HY

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of Sovereign Harbour Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Sovereign Harbour Limited
(continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 March 2006

Profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
Turnover	<i>1</i>	50,000	2,558,677
Cost of sales		-	(206,354)
		<hr/>	<hr/>
Gross profit		50,000	2,352,323
Administrative expenses		(200,584)	(167,283)
		<hr/>	<hr/>
Operating (loss)/profit on ordinary activities	<i>2</i>	(150,584)	2,185,040
Interest receivable	<i>4</i>	307	22,481
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(150,277)	2,207,521
Tax credit/(charge) on (loss)/profit on ordinary activities	<i>5</i>	45,083	(663,849)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities after taxation	<i>11</i>	(105,194)	1,543,672
		<hr/>	<hr/>

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 2005

	<i>Note</i>	2005		2004	
		£	£	£	£
Fixed assets					
Investments	6		4,850,000		4,850,000
Current assets					
Stocks	7	3,344,381		3,006,705	
Debtors	8	21,279,931		24,220,300	
		<u>24,624,312</u>		<u>27,227,005</u>	
Creditors: amounts falling due within one year	9	<u>(27,972,184)</u>		<u>(22,469,683)</u>	
Net current(liabilities)/assets			<u>(3,347,872)</u>		<u>4,757,322</u>
Net assets			<u>1,502,128</u>		<u>9,607,322</u>
Capital and reserves					
Called up share capital	10	100,000		100,000	
Profit and loss account	11	1,402,128		9,507,322	
Equity shareholders' funds	12	<u>1,502,128</u>		<u>9,607,322</u>	

These financial statements were approved by the Board of directors on 8 March 2006 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 of the 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 impairment 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 each year and takes into account deferred taxation, calculated in accordance with the requirements of FRS19 "Deferred taxation". Deferred tax assets or liabilities, which arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation, are calculated on a non-discounted full provision basis.

2 Operating (loss)/profit on ordinary activities before taxation

	2005	2004
	£	£
<i>Operating (loss)/profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration - audit work	3,000	3,000

3 Directors' emoluments

The directors, who are the only employees of the company, have neither received nor waived any remuneration during the year (2004: £Nil).

Notes (continued)

4 Interest receivable and similar income

	2005 £	2004 £
Other interest	307	22,481

5 Tax on profit on ordinary activities

(a) The tax (credit)/charge is made up as follows:

	2005 £	2004 £
<i>UK taxation</i>		
Corporation tax	(45,083)	664,000
Prior year adjustment – group relief	-	(17,651)
Total current taxation on profit on ordinary activities (note 5(b))	(45,083)	646,349
<i>Deferred taxation</i>		
Origination of timing differences	-	17,500
Total taxation on (loss)/profit on ordinary activities	(45,083)	663,849

(b) Reconciliation of current taxation (credit)/charge

The UK standard rate of corporation tax for the year is 30% (2004: 30%). The actual tax rate differs to the standard rate for the reasons set out below:

	2005 £	2004 £
(Loss)/profit on ordinary activities before tax	(150,277)	2,207,521
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30% (2004: 30%)	(45,083)	662,256
Other timing differences	-	3,332
Permanent differences	-	(1,588)
Prior year adjustment	-	(17,651)
Current tax (credit)/charge for the year	(45,083)	646,349

6 Investments

	2005 £	2004 £
Shares in subsidiary undertakings at cost:		
Eastbourne Harbour Company Limited	100,000	100,000
Sovereign Harbour Waterfront Holdings Limited	4,750,000	4,750,000
	4,850,000	4,850,000

Notes (continued)

6 Investments (continued)

The investments are in the issued share capital of Eastbourne Harbour Company Limited and Sovereign Harbour Waterfront Holdings Limited. Both companies are registered in England and Wales.

The investments are 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.

7 Stock

	2005 £	2004 £
Development work in progress	3,344,381	3,006,705

8 Debtors

	2005 £	2004 £
Amounts falling due within one year:		
Trade debtors	10,319	1,819,788
Other debtors	-	2
Amounts owed by group undertakings	21,159,554	22,320,235
Deferred tax asset	-	-
Prepayments	64,975	62,624
Group tax relief	45,083	17,651
	<u>21,279,931</u>	<u>24,220,300</u>

9 Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	3,769	593
Amounts owed to group undertakings	27,964,723	21,494,377
Corporation tax	-	664,000
Other taxation and social security	692	307,649
Accruals and deferred income	3,000	3,064
	<u>27,972,184</u>	<u>22,469,683</u>

Notes (continued)

10 Share capital

	2005 £	2004 £
<i>Authorised:</i>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
<i>Allotted, called up and fully paid:</i>		
100,000 ordinary shares of £1 each	100,000	100,000

11 Reconciliation of movement on reserves

	2005 £	2004 £
At start of year	9,507,322	7,963,650
Retained (loss)/profit for the year	(105,194)	1,543,672
Dividends paid	(8,000,000)	-
At end of year	1,402,128	9,507,322

12 Reconciliation of movements in equity shareholders' funds

	2005 £	2004 £
Retained (loss)/profit for the financial year	(105,194)	1,543,672
Equity shareholders' funds at beginning of year	9,607,322	8,063,650
Dividends paid	(8,000,000)	-
Equity shareholders' funds at end of year	1,502,128	9,607,322

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.