

**Sovereign Harbour Limited**

**Directors' report and financial  
statements**

Registered number 2217605

Year ended 31 December 2007

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### 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 2008

### Profits and dividend

The company's loss before taxation for the year was £740,048 (2006 loss £82,793)

The directors did not propose a dividend for the year (2006 £Nil)

### Directors

The directors who served during the year were

SP Eastwood  
CF Girling (resigned 2 April 2007)  
MW Orms  
RW Robinson  
RF Tapp


### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### 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 5 March 2008 and signed on its behalf by



RF Tapp  
Secretary

24 Birch Street  
Wolverhampton  
WV1 4HY

5 March 2008



## **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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 2007 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.



**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 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

5 March 2008



**Profit and loss account**  
*for the year ended 31 December 2007*

|  | <i>Note</i> | <b>2007</b><br>£ | <b>2006</b><br>£ |
|--|-------------|------------------|------------------|
| <b>Turnover</b>                                    | 2           | <b>24,609</b>    | 15,000           |
| Administrative expenses                            |             | <b>(283,930)</b> | (97,793)         |
| <b>Operating loss</b>                              | 3           | <b>(259,321)</b> | (82,793)         |
| Interest payable                                   | 5           | <b>(480,727)</b> | -                |
| <b>Loss on ordinary activities before taxation</b> |             | <b>(740,048)</b> | (82,793)         |
| Tax on loss on ordinary activities                 | 6           | <b>222,014</b>   | 26,582           |
| <b>Loss for the financial year</b>                 | 12          | <b>(518,034)</b> | (56,211)         |

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 loss for those years. All amounts relate to continuing operations



**Balance sheet**  
*at 31 December 2007*

|  | <i>Note</i> | <b>2007</b>       |                | <b>2006</b>       |                  |
|--|-------------|-------------------|----------------|-------------------|------------------|
|  |             | £                 | £              | £                 | £                |
| <b>Fixed assets</b>                                  |             |                   |                |                   |                  |
| Investments  | 7           |                   | 4,850,000      |                   | 4 850,000        |
| <b>Current assets</b>                                |             |                   |                |                   |                  |
| Stocks   | 8           | 3,925,294         |                | 3,750 541         |                  |
| Debtors  | 9           | 19,904,527        |                | 20 279,068        |                  |
|  |             | <u>23,829,821</u> |                | <u>24 029,609</u> |                  |
| <b>Creditors</b> amounts falling due within one year | 10          | (27,751,938)      |                | (27 433 692)      |                  |
| <b>Net current liabilities</b>                       |             |                   | (3,922,117)    |                   | (3 404 083)      |
| <b>Net assets</b>                                    |             |                   | <u>927,883</u> |                   | <u>1,445,917</u> |
| <b>Capital and reserves</b>                          |             |                   |                |                   |                  |
| Called up share capital                              | 11          | 100,000           |                | 100,000           |                  |
| Profit and loss account                              | 12          | 827,883           |                | 1 345,917         |                  |
| <b>Equity shareholders' funds</b>                    | 13          | <u>927,883</u>    |                | <u>1,445,917</u>  |                  |

These financial statements were approved by the Board of directors on 5 March 2008 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 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.

#### *Investments*

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

#### *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 Turnover

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

### 3 Operating loss

|                                     | 2007  | 2006  |
|-------------------------------------|-------|-------|
|                                     | £     | £     |
| <i>Operating loss is stated</i>     |       |       |
| <i>after charging</i>               |       |       |
| Auditors' remuneration              |       |       |
| Audit of these financial statements | 3,000 | 3,000 |

Fees paid to the company's auditor, KPMG Audit Plc and its associates, for services other than the statutory audit of the company, are not disclosed in these financial statements since the consolidated financial statements of the company's parent, Carillion plc, are required to disclose non-audit fees on a consolidated basis.



## Notes (continued)

### 4 Directors' emoluments

The directors, who are the only employees of the company, have neither received nor waived any remuneration during the year (2006 £Nil)

### 5 Interest payable

|                | 2007<br>£ | 2006<br>£ |
|----------------|-----------|-----------|
| Group interest | 480,727   | -         |

### 6 Tax on loss on ordinary activities

#### (a) Analysis of credit in year

|                                      | 2007<br>£ | 2006<br>£ |
|--------------------------------------|-----------|-----------|
| <i>UK corporation tax</i>            |           |           |
| Corporation tax                      | (222,014) | (24,838)  |
| Prior year adjustment – group relief | -         | (1,744)   |
| Total current taxation               | (222,014) | (26,582)  |

#### (b) Factors affecting the tax credit for the year

The UK standard rate of corporation tax for the year is 30% (2006 30%) The actual tax rate is the same as (2006 higher than) the standard rate for the reasons set out below

|   | 2007<br>£ | 2006<br>£ |
|---|-----------|-----------|
| <i>Current tax reconciliation</i>   |           |           |
| Loss on ordinary activities before tax  | (740,048) | (82,793)  |
| Tax on loss on ordinary activities at UK standard rate of corporation tax of 30% (2006 30%) | (222,014) | (24,838)  |
| Prior year adjustment in respect of group relief  | -         | (1,744)   |
| Current tax credit for the year   | (222,014) | (26,582)  |

#### (c) Factors that may affect future tax charges

From 1 April 2008, the tax rate applicable to the company will decrease from 30% to 28%



## Notes (continued)

### 7 Investments

|   | 2007<br>£        | 2006<br>£        |
|---|------------------|------------------|
| 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        |
|   | <u>4,850,000</u> | <u>4,850,000</u> |

The investments are in the entire 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.

### 8 Stock

|                              | 2007<br>£        | 2006<br>£        |
|------------------------------|------------------|------------------|
| Development work in progress | 3,925,294        | 3,750,541        |
|                              | <u>3,925,294</u> | <u>3,750,541</u> |

### 9 Debtors

|                                     | 2007<br>£         | 2006<br>£         |
|-------------------------------------|-------------------|-------------------|
| Amounts falling due within one year |                   |                   |
| Trade debtors                       | 24,133            | 1,322             |
| Amounts owed by group undertakings  | 19,655,795        | 20,155,496        |
| Other tax and social security       | -                 | 11,180            |
| Prepayments                         | 2,585             | 39,405            |
| Group tax relief                    | 222,014           | 71,665            |
|                                     | <u>19,904,527</u> | <u>20,279,068</u> |

### 10 Creditors: amounts falling due within one year

|                                    | 2007<br>£         | 2006<br>£         |
|------------------------------------|-------------------|-------------------|
| Trade creditors                    | 18,077            | 36,122            |
| Amounts owed to group undertakings | 27,726,084        | 27,367,982        |
| Other taxation and social security | 2,007             | -                 |
| Accruals and deferred income       | 5,770             | 29,588            |
|                                    | <u>27,751,938</u> | <u>27,433,692</u> |



## Notes (continued)

### 11 Share capital

|   | 2007<br>£        | 2006<br>£        |
|---|------------------|------------------|
| <i>Authorised</i>                         |                  |                  |
| 1 000 000 ordinary shares of £1 each      | <u>1,000,000</u> | <u>1 000 000</u> |
| <i>Allotted, called up and fully paid</i> |                  |                  |
| 100,000 ordinary shares of £1 each        | <u>100,000</u>   | <u>100 000</u>   |

### 12 Profit and loss account

|                                    | 2007<br>£        | 2006<br>£        |
|------------------------------------|------------------|------------------|
| At beginning of the financial year | 1,345,917        | 1,402,128        |
| Loss for the financial year        | <u>(518,034)</u> | <u>(56 211)</u>  |
| At end of the financial year       | <u>827,883</u>   | <u>1,345,917</u> |

### 13 Reconciliation of movements in equity shareholders' funds

|                                    | 2007<br>£        | 2006<br>£        |
|------------------------------------|------------------|------------------|
| Loss for the financial year        | (518,034)        | (56 211)         |
| Opening equity shareholders' funds | <u>1,445,917</u> | <u>1 502 128</u> |
| Closing equity shareholders' funds | <u>927,883</u>   | <u>1,445,917</u> |

### 14 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 15 provides details of how to obtain a copy of the published financial statements of Carillion plc.

### 15 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 24 Birch Street, Wolverhampton, WV1 4HY.

