

Sovereign Harbour Limited

**Directors' report and financial
statements**

Registered number 2217605

Year ended 31 December 2008

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

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 in the next financial year.

Profits and dividend

The company's profit before taxation for the year was £1,788,216 (2007 loss of: £740,048).

The directors did not propose a dividend for the year (2007: £Nil).

Directors

The directors who served during the year were:

SP Eastwood
MW Orriss
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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will, therefore, continue in office.

Approved by the Board on 1 May 2009 and signed on its behalf by:



RF Tapp
Secretary

24 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 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 2008 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 2008 and of its profit 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

1 May 2009

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £	2007 £
Turnover	2	2,346,646	24,609
Administrative expenses		(173,498)	(283,930)
Operating profit/(loss)	3	2,173,148	(259,321)
Interest payable	5	(384,932)	(480,727)
Profit/(loss) on ordinary activities before taxation		1,788,216	(740,048)
Tax on profit/(loss) on ordinary activities	6	(523,892)	222,014
Profit/(loss) for the financial year	12	1,264,324	(518,034)

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 those reported above. All amounts relate to continuing operations.

Balance sheet
at 31 December 2008

	Note	2008 £	2007 £
Fixed assets			
Investments	7	4,800,000	4,850,000
Current assets			
Stocks	8	4,511,828	3,925,294
Debtors			
Falling due within one year	9	58,865	248,732
Falling due after more than one year	9	18,655,496	19,655,795
		18,714,361	19,904,527
Cash at bank and in hand		1,921,938	-
		<u>25,148,127</u>	<u>23,829,821</u>
Creditors: amounts falling due within one year	10	<u>(749,551)</u>	<u>(745,569)</u>
Net current assets			
Due within one year		5,743,080	3,428,457
Due after more than one year		18,655,496	19,655,795
		<u>24,398,576</u>	<u>23,084,252</u>
Total assets less current liabilities		<u>29,198,576</u>	<u>27,934,252</u>
Creditors: Amounts falling due after more than one year	11	<u>(27,006,369)</u>	<u>(27,006,369)</u>
Net assets		<u>2,192,207</u>	<u>927,883</u>
Capital and reserves			
Called up share capital	12	100,000	100,000
Profit and loss account	13	2,092,207	827,883
Equity shareholders' funds	14	<u>2,192,207</u>	<u>927,883</u>

These financial statements were approved by the directors on 1 May 2009 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 profit/(loss)

	2008 £	2007 £
<i>Operating profit/(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 (2007: £Nil).

5 Interest payable

	2008 £	2007 £
Group interest	384,932	480,727

6 Tax on profit/(loss) on ordinary activities

(a) Analysis of charge/(credit) in year

	2008 £	2007 £
UK corporation tax		
Corporation tax	523,892	(222,014)
Total current taxation	523,892	(222,014)

(b) Factors affecting the tax credit for the year

The UK standard rate of corporation tax for the year is 28.5% (2007: 30%). The current tax credit is higher than (2007 charge: the same as) the standard rate for the reasons set out below:

	2008 £	2007 £
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	1,788,216	(740,048)
Tax on profit/(loss) on ordinary activities at UK standard rate of corporation tax of 28.5% (2007: 30%)	509,642	(222,014)
Permanent differences	14,250	-
Current tax charge/(credit) for the year	523,892	(222,014)

(c) Factors that may affect future tax charges

The UK corporation tax rate changed from 30% to 28% with effect from 1 April 2008.

Notes (continued)

7 Investments

	Shares in subsidiary undertakings £
<i>Cost</i>	
At beginning and end of year	4,850,000
<i>Impairment</i>	
At beginning of year	-
Charge in year	50,000
At end of year	50,000
<i>Net book value</i>	
At 31 December 2008	4,800,000
At 31 December 2007	4,850,000

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.

8 Stock

	2008 £	2007 £
Development work in progress	4,511,828	3,925,294

9 Debtors

	2008 £	2007 £
<i>Amounts falling due within one year</i>		
Trade debtors	10,592	24,133
Other tax and social security	48,273	-
Prepayments	-	2,585
Group tax relief	-	222,014
	58,865	248,732
<i>Amount falling due after more than one year</i>		
Amounts owed by group undertakings	18,655,496	19,655,795
	18,714,361	19,904,527

Notes (continued)

10 Creditors: Amounts falling due within one year

	2008 £	2007 £
Trade creditors	23,406	18,077
Amounts owed to group undertakings	193,682	719,715
Other taxation and social security	-	2,007
Accruals and deferred income	8,571	5,770
Corporation tax	523,892	-
	<u>749,551</u>	<u>745,569</u>

11 Creditors: Amounts falling due after more than one year

	2008 £	2007 £
Amounts owed to group undertakings	<u>27,006,369</u>	<u>27,006,369</u>

12 Share capital

	2008 £	2007 £
<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>

13 Profit and loss account

	£
At beginning of the financial year	827,883
Profit for the financial year	1,264,324
At end of the financial year	<u>2,092,207</u>

14 Reconciliation of movements in equity shareholders' funds

	2008 £	2007 £
Profit/(loss) for the financial year	1,264,324	(518,034)
Opening equity shareholders' funds	<u>927,883</u>	<u>1,445,917</u>
Closing equity shareholders' funds	<u>2,192,207</u>	<u>927,883</u>

Notes (continued)

15 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.

16 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.