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Sovereign Harbour Limited

Directors' report and financial statements

Registered number 2217605

For the year ended 31 December 2010

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Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2010

Principal activities and business review

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

The directors anticipate that the company will continue in its present role within the Carillion plc group during the next financial year

Profits and dividends

The company's loss on ordinary activities before taxation for the year was £188,866 (2009 £453,139)

The directors do not recommend the payment of a dividend for the year (2009 £Nil)

Directors

The directors serving during the year and subsequently were

SP Eastwood

RF Tapp

MW Orriss

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 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 03 June 2011 and signed on its behalf by

UTC

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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

One Snowhill
Snow Hill Queensway
Birmingham
B4 6QH

Independent auditor's report to the members of Sovereign Harbour Limited

We have audited the financial statements of Sovereign Harbour Limited for the year ended 31 December 2010 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

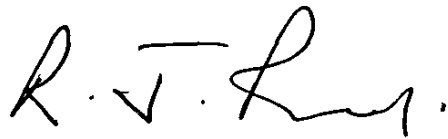
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read 'R. J. Pound', with a stylized flourish at the end.

RJ Pound
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
03 June 2011

Profit and loss account
for the year ended 31 December 2010

		2010	2009
		£	£
Turnover	<i>Note</i> 2	347,756	32,187
Cost of sales		(225,000)	-
Gross profit		<u>122,756</u>	<u>32,187</u>
Administrative expenses		(113,454)	(124,173)
Operating profit/(loss)		<u>9,302</u>	<u>(91,986)</u>
Interest receivable and similar income	5	355,533	64
Interest payable and similar charges	6	(553,701)	(361,217)
Loss on ordinary activities before taxation	3	<u>(188,866)</u>	<u>(453,139)</u>
Tax on loss on ordinary activities	7	<u>45,602</u>	<u>126,879</u>
Loss for the financial year	14	<u><u>(143,264)</u></u>	<u><u>(326,260)</u></u>

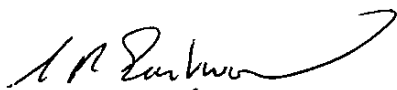
There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis in either the current or preceding financial year

There were no recognised gains or losses in either the current or preceding financial year other than those reported above
All activities relate to continuing operations

Balance sheet
at 31 December 2010

	Note	2010 £	2009 £
Fixed asset investments			
Investments	8	4,800,000	4,800,000
Current assets			
Stock	9	4,970,063	4,837,206
Debtors	10	19,564,447	19,798,030
Cash at bank and in hand		421,652	142,126
		<u>24,956,162</u>	<u>24,777,362</u>
Creditors: amounts falling due within one year	11	(85,442)	(181,154)
Net current assets		<u>24,870,720</u>	<u>24,596,208</u>
Total assets less current liabilities		<u>29,670,720</u>	<u>29,396,208</u>
Creditors: amounts falling due after more than one year	12	(27,948,037)	(27,530,261)
Net assets/(liabilities)		<u>1,722,683</u>	<u>1,865,947</u>
Capital and reserves			
Called up share capital	13	100,000	100,000
Profit and loss account	14	1,622,683	1,765,947
Equity shareholder's funds	15	<u>1,722,683</u>	<u>1,865,947</u>

These financial statements were approved by the Board of Directors on 03 June 2011 and were signed on its behalf by



SP Eastwood
Director

Company registered number 2217605

Sovereign Harbour Limited
Notes
(forming part of the financial statements)

1 Principal 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 information

Basis of accounting

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

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' report

The company participates in the Carillion plc group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's ultimate parent Carillion plc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Carillion group to continue as a going concern or its ability to continue with the current banking arrangements. The Carillion plc group renegotiated its banking facilities in February 2011 to continue to cover this requirement. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

Group accounts

The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements 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 FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that Carillion plc, the company's ultimate parent undertaking, includes the company's cash flows in its own published consolidated cash flow statement.

Investments

Fixed asset investments are stated at cost less provisions 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 requirement of "FRS 19 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.

Notes (continued)

2 Turnover

Turnover represents rental income, which is recognised when earned and the value of realisations made during the year, excluding value added tax. All turnover arises in the United Kingdom.

3 Loss on ordinary activities before taxation

The audit fee for the year ended 31 December 2010 amounting to £1,400 (2009: £1,400) was borne by Carillion Construction Limited, a fellow group subsidiary.

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.

4 Directors' remuneration

The directors, who are the only employees of the company, neither received nor waived any remuneration during the year (2009: £Nil).

5 Interest receivable and similar income

	2010 £	2009 £
Interest receivable from group undertakings	352,147	-
Other financial income	-	64
Bank interest receivable	3,386	-
	<u>355,533</u>	<u>64</u>

Notes (continued)

6 Interest payable and similar charges

	2010 £000	2009 £000
Interest payable to group undertakings	553,701	361,217
	<u>553,701</u>	<u>361,217</u>

7 Tax on profit on ordinary activities

(a) Analysis of taxation credit in the year

	2010 £	2009 £
UK corporation tax		
Current tax	(24,882)	(126,879)
Adjustment in respect of prior periods	(20,720)	-
Total current taxation	<u>(45,602)</u>	<u>(126,879)</u>
Total taxation on profit on ordinary activities	<u>(45,602)</u>	<u>(126,879)</u>

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

The current year tax credit for the year is lower than (2009 the same as) the standard rate of 28% (2009 28%). The difference is explained below

	2010 £	2009 £
Current tax reconciliation		
Loss on ordinary activities before taxation	<u>(188,866)</u>	<u>(453,139)</u>
Tax on loss on ordinary activities at 28% (2009 28%)	(52,882)	(126,879)
Effects of		
Permanent differences	28,000	-
Adjustment in respect of previous periods	(20,720)	-
Current tax credit for the year	<u>(45,602)</u>	<u>(126,879)</u>

(c) Factors that may affect future tax charges

The Budget on 23 March 2011 announced that the UK corporation tax rate will reduce from 28% to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 26% was substantively enacted in two parts on 21 July 2010 (28% to 27%) and 29 March 2011 (27% to 26%). This will be effective from 1 April 2011 and will reduce the company's future current tax charge accordingly.

There is no recognised or unrecognised deferred tax (2009 £nil)

Notes (continued)

8 Investments

	Shares in Subsidiary undertakings £
Cost	
At beginning and end of year	<u>4,850,000</u>
Impairment	
At beginning and end of year	<u>50,000</u>
Net book value	
At 31 December 2010	<u>4,800,000</u>
At 31 December 2009	<u>4,800,000</u>

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

9 Stock

	2010 £	2009 £
Development work in progress	<u>4,970,063</u>	<u>4,837,206</u>

10 Debtors

	2010 £	2009 £
Trade debtors	11,380	11,161
Amounts owed by group undertakings	19,528,185	19,655,495
Group tax relief	24,882	126,879
Prepayments and accrued income	-	4,495
	<u>19,564,447</u>	<u>19,798,030</u>

Included within debtors are the following amounts falling due after more than one year

Amounts owed by group undertakings	<u>19,511,029</u>	<u>19,655,495</u>
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Amounts owed by group undertakings bear interest at a rate which reflects the cost of borrowing to the group

Notes (continued)

11 Creditors amounts falling due within one year

	2010	2009
	£	£
Trade creditors	28,136	14,093
Amounts owed to group undertakings	-	141,319
Other tax and social security costs	55,589	9,043
Other creditors	3	-
Accruals and deferred income	1,714	16,699
	<u>85,442</u>	<u>181,154</u>

12 Creditors amounts falling due after more than one year

	2010	2009
	£	£
Amounts owed to group undertakings	<u>27,948,037</u>	<u>27,530,261</u>

Amounts owed to group undertakings bear interest at a rate which reflects the cost of borrowing to the group

13 Called up share capital

	2010	2009
	£	£
Issued		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1 000 000</u>
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Notes (continued)

14 Reserves

	Profit and loss account £
At beginning of year	1,765,947
Loss for the financial year	(143,264)
At the end of the year	<u>1,622,683</u>

15 Reconciliation of movements in shareholder's funds

	2010 £	2009 £
Loss for the financial year	<u>(143,264)</u>	<u>(326,260)</u>
Net decrease in equity shareholder's funds	(143,264)	(326,260)
Equity shareholder's funds at the beginning of the year	1,865,947	2,192,207
Equity shareholder's funds at the end of the year	<u>1,722,683</u>	<u>1,865,947</u>

16 Related party transactions

As a wholly-owned subsidiary of Carillion plc, the company has taken advantage of the exemption under FRS 8 'Related party disclosures' not to provide information on related party transactions with other undertakings within the Carillion plc group. Note 17 gives details of how to obtain a copy of the published financial statements of Carillion plc.

17 Controlling and parent companies

The company's controlling company is Carillion plc, its ultimate parent company, which is incorporated in Great Britain and registered in England and Wales.

Copies of the group financial statements of Carillion plc are available from 24 Birch Street, Wolverhampton WV1 4HY.