

## **Sovereign Harbour Limited**

Directors' report and financial statements

Registered number 2217605

For the year ended 31 December 2012

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## Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2012

### Principal activities and business review

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

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 profit on ordinary activities before taxation for the year was £2,621,397 (2011 £297,846 loss)

A dividend of £4,000,000 was paid during the year (2011 £Nil)

### Political and charitable donations

The company did not make any political or charitable donations during the year (2011 £Nil)

### Directors

The directors serving during the year and subsequently were

SP Eastwood  
RJ Tapp  
MW Orriss

### Disclosure of information to auditor

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 auditor is 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 auditor is 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

28<sup>th</sup> August 2013

and signed on its behalf by



SP Eastwood  
Director

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 judgements 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 6GH

**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 2012 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 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**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 2012 and of its profit 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.

**Independent auditor's report to the members of Sovereign Harbour Limited (continued)**

**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



**Robert Pound**  
**(Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants

*28th August 2013*

**Profit and loss account**  
*for the year ended 31 December 2012*

		2012	2011
	<i>Note</i>	£	£
<b>Turnover</b>	2	<u>32,855</u>	32 735
<b>Gross profit</b>		32,855	32 735
Administrative expenses		<u>(155,579)</u>	(113 902)
<b>Operating loss</b>		<u>(122,724)</u>	(81 167)
Income from subsidiary undertaking		3,000,000	-
Interest receivable and similar income	5	412,986	380,781
Interest payable and similar charges	6	<u>(668,865)</u>	(597,460)
<b>Profit/(loss) on ordinary activities before taxation</b>	3	2,621,397	(297 846)
Tax on profit/(loss) on ordinary activities	7	<u>72,486</u>	118,409
<b>Profit/(loss) for the financial year</b>	14	<u><u>2,693,883</u></u>	<u><u>(179,437)</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 2012*

	Note	£	2012 £	£	2011 £
<b>Fixed asset investments</b>					
Investments	8		6,159,603		6,159,603
<b>Current assets</b>					
Stocks	9	5,632,999		5,318,280	
Debtors	10	20,165,941		19,137,915	
Cash at bank and in hand		98,291		199,947	
		<u>25,897,231</u>		<u>24,656,142</u>	
Creditors amounts falling due within one year	11	(62,875)		(26,129)	
<b>Net current assets</b>			<u>25,834,356</u>		<u>24,630,013</u>
<b>Total assets less current liabilities</b>			<b>31,993,959</b>		<b>30,789,616</b>
Creditors amounts falling due after more than one year	12		(31,756,830)		(29,246,370)
<b>Net assets</b>			<u><b>237,129</b></u>		<u><b>1,543,246</b></u>
<b>Capital and reserves</b>					
Called up share capital	13		100,000		100,000
Profit and loss account	14		137,129		1,443,246
<b>Equity shareholder's funds</b>	15		<u><b>237,129</b></u>		<u><b>1,543,246</b></u>

These financial statements were approved by the Board of Directors on *28th August 2013* 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 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. 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. Profit/(loss) on ordinary activities before taxation**

The audit fee for the year ended 31 December 2012 amounting to £400 (2011: £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 (2011: £Nil).

**5 Interest receivable and similar income**

	2012 £	2011 £
Interest receivable from group undertakings	411,549	379,382
Bank interest receivable	1,437	1,399
	<u>412,986</u>	<u>380,781</u>

Notes (continued)

**6 Interest payable and similar charges**

	2012 £000	2011 £000
Interest payable to group undertakings	668,865	597,460
	<u>668,865</u>	<u>597,460</u>

**7 Tax on profit/(loss) on ordinary activities**

*(a) Analysis of taxation credit in the year*

	2012 £	2011 £
<b>UK corporation tax</b>		
Current tax	(72,486)	(78,929)
Adjustment in respect of prior periods	-	(39,480)
<b>Total current taxation</b>	<u>(72,486)</u>	<u>(118,409)</u>
<b>Total taxation on profit on ordinary activities</b>	<u>(72,486)</u>	<u>(118,409)</u>

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

The current year tax credit for the year is lower (2011: lower) than the standard rate of 24.5% (2011: 26.5%). The difference is explained below:

	2012 £	2011 £
<b>Current tax reconciliation</b>		
Profit/(loss) on ordinary activities before taxation	2,621,397	(297,847)
Tax on profit/(loss) on ordinary activities at 24.5% (2011: 26.5%)	642,242	(78,929)
Effects of:		
Dividends from UK companies	(735,000)	
Permanent differences	20,272	-
Adjustment in respect of previous periods	-	(39,480)
<b>Current tax credit for the year</b>	<u>(72,486)</u>	<u>(118,409)</u>

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

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

There is no recognised or unrecognised deferred tax (2011: £Nil).

Notes (continued)

**8 Investments**

	Shares in Subsidiary undertakings £
<b>Cost</b>	
At beginning and end of year	<u>6 209,603</u>
<b>Impairment</b>	
At beginning and end of year	<u>50,000</u>
<b>Net book value</b>	
At 31 December 2012	<u>6,159,603</u>
At 31 December 2011	<u>6,159,603</u>

Investments are in the entire issued share capital of Eastbourne Harbour Company Limited and Sovereign Harbour Waterfront Holdings Limited and 50% of SA1 Developments LLP. All investments are in companies registered in England and Wales.

**9 Stocks**

	2012 £	2011 £
Development work in progress	<u>5,632,999</u>	<u>5 318,280</u>

**10 Debtors**

	2012 £	2011 £
Trade debtors	10,423	10,458
Amounts owed by group undertakings	20,083,032	19 048 528
Group tax relief	72,486	-
Corporation tax	<u>-</u>	<u>78,929</u>
	<u>20,165,941</u>	<u>19 137 915</u>

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

Amounts owed by group undertakings	<u>20,078,451</u>	<u>19 044 349</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**

	2012	2011
	£	£
Trade creditors	46,010	12 393
Other tax and social security costs	4,965	1 746
Other creditors	7,607	4,286
Accruals and deferred income	4,293	7 704
	<u>62,875</u>	<u>26,129</u>

**12 Creditors amounts falling due after more than one year**

	2012	2011
	£	£
Amounts owed to group undertakings	<u>31,756,830</u>	<u>29 246,370</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**

	2012	2011
	£	£
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**

	<b>Profit and loss account £</b>
At beginning of year	1 443 246
Profit for the financial year	2,693 883
Dividends paid to equity holders	<u>(4 000 000)</u>
<b>At the end of the year</b>	<b><u>137,129</u></b>

**15 Reconciliation of movements in shareholder's funds**

	<b>2012 £</b>	<b>2011 £</b>
Profit/(loss) for the financial year	2,693,883	(179 437)
Dividend paid to equity holders being £40 per share (2011 £nil per share)	<u>(4,000,000)</u>	<u>-</u>
<b>Net decrease in equity shareholder's funds</b>	<b>(1,306,117)</b>	<b>(179,437)</b>
Equity shareholder's funds at the beginning of the year	<u>1,543,246</u>	<u>1,722,683</u>
<b>Equity shareholder's funds at the end of the year</b>	<b><u>237,129</u></b>	<b><u>1 543 246</u></b>

**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.