

Sovereign Harbour Limited

**Directors' report and financial
statements**

Registered number 2217605

Year ended 31 December 2009



Contents

| | |
|---|---|
| Directors' report | 1 |
| Statement of directors' responsibilities in respect of the directors' report and the financial statements | 2 |
| Independent auditors' report to the members of Sovereign Harbour Limited | 3 |
| Profit and loss account | 5 |
| Balance sheet | 6 |
| Notes | 7 |

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

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 Caullion Group in the next financial year

Profits and dividend

The company's loss before taxation for the year was £453,139 (2008 profit £1 788,216)

The directors did not propose a dividend for the year (2008 £Nil)

Directors

The directors who served during the year were

SP Eastwood

MW Orriss

RW Robinson (resigned 30 June 2009)

RF Tapp

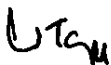
Disclosure of information to auditors

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 31 March 2010 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)

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 6GH

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 2009 set out on pages 5 to 11. 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 auditors' 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 2, 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 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/UKNP.

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 2009 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 matters 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 auditors' 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

R J Pound

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

31 March 2010

Profit and loss account
for the year ended 31 December 2009

| | <i>Note</i> | 2009 £ | 2008 £ |
|---|-------------|------------------|------------------|
| Turnover | 2 | 32,187 | 2 346,646 |
| Administrative expenses | | (124,173) | (173,498) |
| Operating (loss)/profit | 3 | (91,986) | 2,173 148 |
| Net interest payable | 5 | (361,153) | (384,932) |
| (Loss)/profit on ordinary activities before taxation | | (453,139) | 1,788,216 |
| Tax on (loss)/profit on ordinary activities | 6 | 126,879 | (523,892) |
| (Loss)/profit for the financial year | 13 | (326,260) | 1,264,324 |

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 2009

| | <i>Note</i> | 2009 | | 2008 | |
|---|-------------|---------------------|-----------|---------------------|-----------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Investments | 7 | | 4,800,000 | | 4 800,000 |
| Current assets | | | | | |
| Stocks | 8 | 4,837,206 | | 4,511 828 | |
| Debtors | | | | | |
| Falling due within one year | 9 | 142,535 | | 58 865 | |
| Falling due after more than one year | 9 | 19,655,495 | | 18 655,496 | |
| Total debtors | | 19,798,030 | | 18 714,361 | |
| Cash at bank and in hand | | 142,126 | | 1 921 938 | |
| | | 24,777,362 | | 25 148 127 | |
| Creditors amounts falling due within one year | 10 | (181,154) | | (749 551) | |
| Net current assets | | 24,596,208 | | 24,398,576 | |
| Total assets less current liabilities | | 29,396,208 | | 29,198,576 | |
| Creditors Amounts falling due after more than one year | 11 | (27,530,261) | | (27,006,369) | |
| Net assets | | 1,865,947 | | 2 192,207 | |
| Capital and reserves | | | | | |
| Called up share capital | 12 | 100,000 | | 100,000 | |
| Profit and loss account | 13 | 1,765,947 | | 2,092 207 | |
| Equity shareholders' funds | 14 | 1,865,947 | | 2 192,207 | |

These financial statements were approved by the directors on 31 March 2010 and were signed on its behalf by



SP Eastwood
Director

Company registered number 2217605

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

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 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

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Carillion plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Group accounts

The company is exempt under Section 400 of the Companies Act 2006 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 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

2 Turnover

Turnover represents rental income, which is recognised when earned, and the value of realisations made during the year, excluding value added tax. Turnover with respect to realisations is recognised when any sale becomes unconditional. All turnover arises in the UK

Notes (continued)

3 Operating (loss)/profit

The audit fee for the year ended 31 December 2009 amounting to £1,400 (2008 £2,000) 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, have neither received nor waived any remuneration during the year (2008 £Nil)

5 Net interest payable and similar charges

| | 2009 £ | 2008 £ |
|---------------------------|----------------|----------------|
| Other interest receivable | (64) | - |
| Group interest payable | 361,217 | 384,932 |
| | <u>361,153</u> | <u>384,932</u> |

6 Tax on (loss)/profit on ordinary activities

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

| | 2009 £ | 2008 £ |
|--------------------|------------------|----------------|
| UK corporation tax | | |
| Corporation tax | (126,879) | 523,892 |
| | <u>(126,879)</u> | <u>523,892</u> |

(b) Factors affecting the tax (credit)/charge for the year

The current tax (credit)/charge for the year is the same as (2008 charge, higher than) the UK standard rate of corporation tax of 28% (2008 28.5%) The differences are explained below

| | 2009 £ | 2008 £ |
|--|------------------|------------------|
| Current tax reconciliation | | |
| (Loss)/profit on ordinary activities before tax | (453,139) | 1,788,216 |
| | <u>(453,139)</u> | <u>1,788,216</u> |
| Tax on (loss)/profit on ordinary activities at UK standard rate of corporation tax of 28% (2008 28.5%) | (126,879) | 509,642 |
| Expenses not deductible for tax purposes | - | 14,250 |
| | <u>(126,879)</u> | <u>523,892</u> |

There is no recognised or unrecognised deferred tax

Notes (continued)

7 Investments

| | Shares in subsidiary undertakings £ |
|------------------------------|--|
| <i>Cost</i> | |
| At beginning and end of year | 4 850 000 |
| | <u> </u> |
| <i>Impairment</i> | |
| At beginning and end of year | 50,000 |
| | <u> </u> |
| <i>Net book value</i> | |
| At 31 December 2009 | 4,800,000 |
| | <u> </u> |
| At 31 December 2008 | 4 800,000 |
| | <u> </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.

8 Stock

| | 2009 £ | 2008 £ |
|------------------------------|-------------------|-------------------|
| Development work in progress | 4,837,206 | 4,511 828 |
| | <u> </u> | <u> </u> |

9 Debtors

| | 2009 £ | 2008 £ |
|--|-------------------|-------------------|
| <i>Amounts falling due within one year</i> | | |
| Trade debtors | 11,161 | 10,592 |
| Other tax and social security | - | 48,273 |
| Prepayments | 4,495 | - |
| Group tax relief | 126,879 | - |
| | <u> </u> | <u> </u> |
| | 142,535 | 58 865 |
| | <u> </u> | <u> </u> |
| <i>Amount falling due after more than one year</i> | | |
| Amounts owed by group undertakings | 19,655,495 | 18,655,496 |
| | <u> </u> | <u> </u> |
| | 19,798,030 | 18,714 361 |
| | <u> </u> | <u> </u> |

Notes (continued)

10 Creditors: Amounts falling due within one year

| | 2009 £ | 2008 £ |
|------------------------------------|----------------|----------------|
| Trade creditors | 14,093 | 23,406 |
| Amounts owed to group undertakings | 141,319 | 193,682 |
| Other taxation and social security | 9,043 | - |
| Accruals and deferred income | 16,699 | 8,571 |
| Corporation tax | - | 523,892 |
| | <u>181,154</u> | <u>749,551</u> |

11 Creditors: Amounts falling due after more than one year

| | 2009 £ | 2008 £ |
|------------------------------------|-------------------|-------------------|
| Amounts owed to group undertakings | <u>27,530,261</u> | <u>27,006,369</u> |

Included within creditors are intercompany loans which bear interest at a rate which reflects the cost of borrowings to the group

12 Share capital

| | 2009 £ | 2008 £ |
|---|------------------|------------------|
| <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 | 2,092,207 |
| Loss for the financial year | <u>(326,260)</u> |
| At end of the financial year | <u>1,765,947</u> |

14 Reconciliation of movements in equity shareholders' funds

| | 2009 £ | 2008 £ |
|--------------------------------------|------------------|------------------|
| (Loss)/profit for the financial year | (326,260) | 1,264,324 |
| (Opening equity shareholders' funds | <u>2,192,207</u> | <u>927,883</u> |
| Closing equity shareholders' funds | <u>1,865,947</u> | <u>2,192,207</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 17 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 incorporated in Great Britain and registered in England and Wales.

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