

## **Sovereign Harbour Waterfront Holdings Limited**

Directors' report and financial statements

Registered number 4135060

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 engaged in the holding of "The Waterfront" Investment Property at Sovereign Harbour Eastbourne. The directors anticipate that the company will continue in its present role within the Canlion plc group during the next financial year.

### **Profits and dividends**

The company's profit on ordinary activities before taxation for the year was £508,237 (2009 £640,775)

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  
J McDonough  
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 6GH

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

We have audited the financial statements of Sovereign Harbour Waterfront Holdings 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](http://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 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.

**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**  
**(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
	Note	£	£
<b>Turnover</b>	2	<b>585,262</b>	580,644
Cost of sales		<b>(21,574)</b>	(26 481)
<b>Gross profit</b>		<b>563,688</b>	554 163
Administrative expenses		<b>(108,773)</b>	2 622
<b>Operating profit</b>	3	<b>454,915</b>	556,785
Interest receivable and similar income	5	<b>53,322</b>	84 014
Interest payable and similar charges	6	-	(24)
<b>Profit on ordinary activities before taxation</b>		<b>508,237</b>	640,775
Tax on profit on ordinary activities	7	<b>(125,786)</b>	(179,417)
<b>Profit for the financial year</b>	14	<b>382,451</b>	461,358

All activities relate to continuing operations

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 the profit or loss for those years

**Balance sheet**  
*at 31 December 2010*

	Note	2010 £	2009 £
<b>Fixed assets</b>			
Tangible assets	8	4,750,000	4,750,000
Investments	9	2	2
		<u>4,750,002</u>	<u>4,750,002</u>
<b>Current assets</b>			
Debtors	10	7,238,533	7,089,297
Cash at bank and in hand		<u>115,884</u>	<u>38,931</u>
		7,354,417	7,128,228
Creditors amounts falling due within one year	11	<u>(181,291)</u>	<u>(337,553)</u>
<b>Net current assets</b>		7,173,126	6,790,675
Creditors amounts falling due after more than one year	12	(4,750,002)	(4,750,002)
<b>Net assets</b>		<u>7,173,126</u>	<u>6,790,675</u>
<b>Capital and reserves</b>			
Called up share capital	13	4,750,000	4,750,000
Profit and loss account	14	2,423,126	2,040,675
<b>Equity shareholder's funds</b>	15	<u>7,173,126</u>	<u>6,790,675</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 4135060



**Sovereign Harbour Waterfront Holdings 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.

**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.

**Investment Properties**

In accordance with the Statement of Standard Accounting Practice 19, "Accounting for investment Properties", investment properties are revalued every five years at open market values. Surpluses and deficits arising and the aggregate surplus or deficit is transferred to the revalued reserve except that any permanent diminution in value of an investment property is taken to profit and loss account for the year. No depreciation is provided in respect of freehold investment properties.

This treatment, as regards certain of the group's investment properties, may be a departure from the requirement of the Companies Act 2006 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

**Taxation**

The charge for taxation is based on the result for each year and takes into account deferred taxation. Deferred tax assets or liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Liabilities are calculated on a non-discounted full provision basis. Assets are calculated on the same basis, but are recognised only to the extent that it is probable that they will be recovered.

**Notes (continued)**

**2 Turnover**

Turnover is stated exclusive of value added tax and represents rental income, which is recognised when earned. All turnover arises within the United Kingdom.

**3 Profit on ordinary activities before taxation**

The audit fee for the year ended 31 December 2010 amounting to £2,100 (2009: £2,100) was borne by Canllion 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, Canllion 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	50,123	84,014
Bank interest receivable	3,199	-
	<u>53,322</u>	<u>84,014</u>

Notes (continued)

6 Interest payable and similar charges

	2010 £	2009 £
Other interest payable	-	24
	<u>-</u>	<u>24</u>

7 Tax on profit on ordinary activities

(a) Analysis of taxation charge in the year

	2010 £	2009 £
UK corporation tax		
Current tax	142,306	179,417
Adjustment in respect of prior periods	(16,520)	-
Total current taxation	<u>125,786</u>	<u>179,417</u>
Total taxation on profit on ordinary activities	<u>125,786</u>	<u>179,417</u>

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

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

	2010 £	2009 £
<b>Current tax reconciliation</b>		
Profit on ordinary activities before taxation	<u>508,237</u>	<u>640,775</u>
Tax on profit on ordinary activities at 28% (2009 28%)	142,306	179,417
Effects of		
Adjustment in respect of previous periods	(16,520)	-
Current tax charge for the year	<u>125,786</u>	<u>179,417</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 Intangible fixed assets

	Investment property £
<b>Cost and net book value</b>	
At beginning and end of year	<u>4,750,000</u>

The investment property is not being depreciated in accordance with SSAP 19 Accounting For Investment Properties. The carrying amount is based on an open market valuation at 1 December 2006 and was valued by Tingley Commercial, who are Chartered Surveyors.

9 Investments

	Shares in subsidiary undertaking £
<b>Cost and net book value</b>	
At beginning and end of year	<u>2</u>

The investment is in the entire issued capital of Sovereign Harbour Waterfront Limited, a company registered in England and Wales.

10 Debtors

	2010 £	2009 £
Amounts owed by group undertakings	7,116,160	6,835,880
Other debtors	107,738	242,296
Prepayments and accrued income	14,635	11,121
	<u>7,238,533</u>	<u>7,089,297</u>
<b>Amounts falling due after more than one year</b>		
Amounts owed by group undertakings	<u>7,116,160</u>	<u>6,825,735</u>

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

Notes (continued)

**11 Creditors amounts falling due within one year**

	2010	2009
	£	£
Trade creditors	2,269	-
Amounts owed to group undertakings	18,777	19,064
Corporation tax	142,306	179,417
Other tax and social security costs	-	18,343
Other creditors	939	1,954
Accruals and deferred income	17,000	118,775
	<u>181,291</u>	<u>337,553</u>

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

	2010	2009
	£	£
Amounts owed to group undertakings	<u>4,750,002</u>	<u>4,750,002</u>

**13 Called up share capital**

	2010	2009
	£	£
Issued		
5,000,000 ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid		
4,750,000 ordinary shares of £1 each	<u>4,750,000</u>	<u>4,750,000</u>

Notes (continued)

14 Reserves

	Profit and loss account £
At beginning of year	2 040 675
Profit for the financial year	382,451
At the end of the year	<u>2,423,126</u>

15 Reconciliation of movements in shareholder's funds

	2010 £	2009 £
Profit for the financial year	<u>382,451</u>	<u>461,358</u>
Net increase in equity shareholder's funds	382,451	461,358
Equity shareholder's funds at the beginning of the year	<u>6,790,675</u>	<u>6,329,317</u>
Equity shareholder's funds at the end of the year	<u>7,173,126</u>	<u>6,790,675</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.