

Sovereign Hospital Services Limited

Directors' report and financial statements

31 December 2000

Registered number 3232308



Sovereign Hospital Services Limited

Directors' report and financial statements

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Sovereign Hospital Services Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the Company during the year was the provision of support services primarily within facilities management in the healthcare sector.

Business review

Overview of 2000

The Company was established during 1999 to provide facilities management services to the healthcare market on behalf of Aquamen Group Plc. Its first major contract is the award of the South Tees Acute Hospitals NHS Trust PFI. This contract will cover the provision of eleven non-clinical services at the hospital for up to thirty years, with the market testing of hotel services at five-year intervals.

Turnover and costs include the income and costs associated with the team currently working jointly with the construction team on procurement and detailed design issues.

Outlook for 2001

During 2001 the Company will continue to work closely with the construction team at South Tees as the new build project progresses towards its 2003 completion date. The facilities management contract will commence upon completion of the construction phase.

Proposed dividend and transfer to reserves

The Directors recommend the payment of an ordinary dividend of £550.

Directors

The Directors who held office during the year were as follows:

SJ Day
J McGrory

Directors' interests

The interests of J McGrory and SJ Day are disclosed in the Directors' report of the immediate parent company.

Political & Charitable donations

No donations were made during the year for political or charitable purposes.

Supplier payment policy

Where contracts with clients specify terms of payment to suppliers it is Company policy to pay in accordance with those terms. Where no such contractual requirement exists it is Company policy to comply with suppliers' agreed terms and conditions.

All trade creditors in the year were paid by Aquamen Services Limited and recharged through inter-company accounts. Disclosure of creditor days has been made within the accounts of that company.

Sovereign Hospital Services Limited

Directors' report (*continued*)

Impact of the Euro

The Directors do not consider that the introduction of the Euro will have a significant impact on the business.

Employment of disabled persons

The Company's policy on the employment of disabled persons is to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities, as well as safety and environmental circumstances and, where practicable, to continue the employment of, and arrange appropriate training for employees of the Company who become disabled during their employment. It is also policy to encourage the training and career development of all personnel employed by the Company, including disabled persons.

Employee involvement

Appropriate employment policies are developed to comply with the requirements of the law and to suit local conditions.

The Company recognises the importance of good communications and relations with employees and encourages the development of employee participation practices.

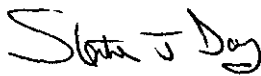
Risk management

Aon Risk Services have continued to act as insurance brokers and risk managers and are assisting in a continuous programme to reduce progressively the direct and indirect costs in respect of those matters for which it is usual to carry insurance.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



SJ Day
Director
7 March 2001

White Lion Court
Swan Street
Isleworth
Middlesex
TW7 6RN

Sovereign Hospital Services Limited

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period which 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 those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the 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.

Sovereign Hospital Services Limited

Report of the Auditors

To the members of Sovereign Hospital Services Limited

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and, as described on page 3, the Financial Statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if 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 transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

7 March 2001

1 The Embankment
Neville Street
Leeds
LS1 4DW

Sovereign Hospital Services Limited

Profit and Loss Account

For the year ended 31 December 2000

	Note	2000	1999
		£	£
Turnover	2	315,828	3,123,073
Other external charges		(149,441)	(3,007,827)
Staff costs	5	(162,730)	(95,495)
Other operating charges		-	(5,000)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-3	3,657	14,751
Tax on profit on ordinary activities	6	(2,508)	(4,647)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		1,149	10,104
Dividends paid and proposed	7	(550)	(5,052)
		<hr/>	<hr/>
Retained profit for the financial year		599	5,052
Retained profit brought forward		5,052	-
		<hr/>	<hr/>
Retained profit carried forward		5,651	5,052
		<hr/>	<hr/>

All the above relate to continuing activities.

There is no difference between the profit as disclosed in the profit and loss account and the profit on an unmodified historical cost basis.

There are no recognised gains or losses other than the profit for the year.

A reconciliation of movement in shareholders' funds is given in note 11 to the financial statements.

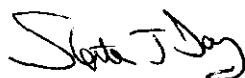
Sovereign Hospital Services Limited

Balance sheet

as at 31 December 2000

	Note	2000	1999
		£	£
Current assets			
Cash at bank and in hand		2,000	-
Debtors	8	119,455	93,752
Creditors: amounts falling due within one year	9	(115,802)	(88,698)
Net assets		<u>5,653</u>	<u>5,054</u>
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account		5,651	5,052
Equity shareholders' funds		<u>5,653</u>	<u>5,054</u>

These financial statements were approved by the Board of Directors on 7 March 2001 and were signed on its behalf by:



SJ Day
Director

Sovereign Hospital Services Limited

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 preparation

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

Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

Pension costs

The anticipated costs to the Company of pensions in respect of the defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the expected service life of employees in the schemes.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover is recognised according to the percentage of the estimated total contract value completed including a prudent proportion of profit as the contract progresses. Accrued and deferred income are shown separately in the balance sheet. Turnover is shown exclusive of value added tax and includes the settlement of monetary claims on contracts completed in previous years. All losses are recognised in full as soon as they are foreseen.

Cash flow statement

The Company is exempt from the requirement under Financial Reporting Standard 1 (Revised) to prepare a cash flow statement on the grounds that it is a subsidiary undertaking of John Mowlem & Company PLC and its cash flows are included within the consolidated cash flow statement of that company.

Sovereign Hospital Services Limited

Notes (continued)

2 Analysis of turnover and profit on ordinary activities before taxation

	2000		1999	
	Turnover	Attributable Pre-tax profit	Turnover	Attributable Pre-tax profit
	£	£	£	£
<i>By activity</i>				
Support services	315,828	3,657	3,123,073	14,751
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>By geographical market</i>				
United Kingdom	315,828		3,123,073	
	<u> </u>		<u> </u>	

3 Profit on ordinary activities before taxation

	2000	1999
	£	£
<i>Profit on ordinary activities before taxation is stated after charging :</i>		
Auditor's remuneration:		
Audit	1,000	1,000
	<u> </u>	<u> </u>

4 Remuneration of Directors

All the Directors were remunerated by Aquamen Services Limited and disclosure of Directors' emoluments has been made in the accounts of that company.

5 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	2000 Number	1999 Number
Managerial and administrative staff	5	7
	<u> </u>	<u> </u>

Sovereign Hospital Services Limited

Notes (continued)

5 Staff Numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	139,922	82,115
Social security costs	10,968	6,437
Other pension costs (note 12)	11,840	6,943
	<hr/>	<hr/>
	162,730	95,495
	<hr/>	<hr/>

6 Taxation on profit on ordinary activities

	2000	1999
	£	£
UK corporation tax at 30% (1999: 30.25%) - current year	2,508	4,647
	<hr/>	<hr/>

7 Dividends

	2000	1999
	£	£
Ordinary shares: Final proposed	550	5,052
	<hr/>	<hr/>

8 Debtors

	2000	1999
	£	£
Amounts owed by group undertakings	109,455	2
Prepayments and Accrued Income	10,000	93,750
	<hr/>	<hr/>
	119,455	93,752
	<hr/>	<hr/>

Sovereign Hospital Services Limited

Notes (continued)

9 Creditors: amounts falling due within one year

	2000	1999
	£	£
Amounts owed to group undertakings	-	17,321
Other creditors including taxation and social security:		
Corporation tax	2,508	4,647
Accruals and deferred income	112,744	61,678
Dividend proposed	550	5,052
	<hr/>	<hr/>
	115,802	88,698
	<hr/>	<hr/>

10 Called up share capital

Equity share capital:

	2000	1999
	£	£
Authorised:		
Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

11 Reconciliation of movement in shareholders' funds:

	2000	1999
	£	£
Profit for the financial year	1,149	10,104
Dividend	(550)	(5,052)
	<hr/>	<hr/>
Net addition to shareholders' funds	599	5,052
Opening shareholders' funds	5,054	2
	<hr/>	<hr/>
Closing shareholders' funds	5,653	5,054
	<hr/>	<hr/>

Sovereign Hospital Services Limited

Notes (continued)

12 Pension schemes

The Company contributes to two pension schemes.

- i) Mowlem Staff Pension and Life Assurance Scheme. This is a contributory, defined benefit scheme operated by the ultimate holding company. Particulars of this Group scheme are contained within the financial statements of John Mowlem & Company PLC.
- ii) Mowlem (1993) Pension Scheme. This is a contributory, funded, defined benefit scheme with a section which provides benefits equivalent to those under the Principal Civil Service Pension Scheme (the "PCSPS"), available only to those employees who were members of the PCSPS on 30 September 1993 and whose employment was subsequently transferred to AQUMEN Services Limited.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Company. The most recent actuarial valuation of the scheme was performed as at 31 December 1998 using the projected unit method. The main actuarial assumptions employed were investment returns before and after retirement of 6.5% p.a. and 4.5% p.a. respectively, general annual earnings increases of 4% p.a. and pension increases of 2.5% p.a. The valuation showed the market value of the scheme's assets to be £12,734,000 and the market value of the assets represented 106% of the benefits that had accrued to the members after allowing for expected future increases in earnings. The contributions to the scheme made by the Company and the employees were 18.4% and 1.5% of pensionable earnings respectively during the year.

The pension charge for the year is disclosed in note 5 to the financial statements.

13 Ultimate parent company

The Company is a subsidiary undertaking of John Mowlem & Company PLC registered in England and Wales.

The smallest group into which the results of the Company are consolidated is that headed by AQUMEN Group Plc registered in England and Wales, and the largest is John Mowlem & Company PLC.

The consolidated accounts of these groups are available to the public and may be obtained from:

The Company Secretary
John Mowlem & Company PLC
White Lion Court
Swan Street
Isleworth
Middlesex
TW7 6RN