

ECD (Cookham Wood) Limited

Directors' report and financial statements

for the year ended 31 December 2003

Registered number: 3241233



ECD (Cookham Wood) Limited

Director's report and financial statements for the year ended 31 December 2003

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ECD (Cookham Wood) Limited

Directors' report for the year ended 31 December 2003

The directors submit their report and the audited financial statements of the company for the year ended 31 December 2003.

Principal activities and business review

The company is engaged under a 16 year contract, signed on 3 March 1997, for the provision of design, construction and management services, including related financing arrangements, for a secure training centre for juveniles, STC Medway, near Rochester, Kent.

The company signed an amendment to the above contract on 11 January 2002 for the building and operation of an extension to the centre. The extension was opened in November 2002, increasing the available spaces to 76. A construction fee of £8,179,000 was chargeable to the Youth Justice Board in respect of the extension and was included in the 2002 turnover in the profit and loss account on page 4. No additional financing arrangements were required.

The profit for the year under review as set out in the profit and loss account on page 4 relates to activities undertaken in respect of the project.

The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

Dividends and transfers to reserves

No dividend is proposed (2002: £nil). The amount transferred to reserves is set out in the profit and loss account on page 4.

Directors

The directors of the company during the year ended 31 December 2003, and subsequently, were:

A D Banks	
S R Brown	(appointed 4 March 2003)
C Elliott	
F R Herzberg	(resigned 26 March 2003, re-appointed 30 March 2004)
R W Robinson	
R C Turner	(appointed 2 December 2003)
D A J Anderson	(appointed 27 February 2004, resigned 30 March 2004)
H Gilbey	(appointed 26 March 2003, resigned 2 December 2003)
C F G Girling	(resigned 26 March 2003)
J A Harrower	(resigned 8 February 2003)
S N Jones	(appointed 26 March 2003, resigned 27 February 2004)

Directors' interests in shares

The directors held no beneficial interests in the share capital of the company during the year according to the register maintained by the company under Section 325 of the Companies Act 1985.

ECD (Cookham Wood) Limited

Directors' report for the year ended 31 December 2003 (continued)

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

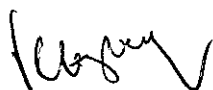
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



F R Herzberg
Director
25 June 2004

Independent auditors' report to the member of ECD (Cookham Wood) Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, the reconciliation of movement in equity shareholder's funds and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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 is not disclosed.

We read the other information contained in the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

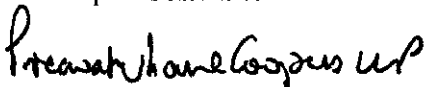
Basis of audit opinion

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 affairs of the company at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

25 June 2004

ECD (Cookham Wood) Limited

Profit and loss account for the year ended 31 December 2003

	Notes	2003	2002
		£'000	£'000
Turnover	1	9,775	13,625
Operating costs		(8,696)	(11,375)
Gross Profit		1,079	2,250
Administrative expenses		(249)	(1,369)
Operating profit	2	830	881
Interest receivable and similar income	3	999	1,045
Interest payable and similar charges	3	(775)	(867)
Profit on ordinary activities before taxation		1,054	1,059
Taxation on profit on ordinary activities	4	(423)	(419)
Retained profit for the financial year	9	631	640

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

There is no difference between the profit for the year as shown in the profit and loss account above and its historical cost equivalent.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

The movement on reserves is shown in note 9 to the financial statements.

ECD (Cookham Wood) Limited

Balance sheet as at 31 December 2003

	Notes	2003 £'000	2002 £'000
Current assets			
Debtors (amounts falling due within one year)	5	1,866	6,811
Debtors (amounts falling due in more than one year)	5	8,773	9,449
Cash at bank and in hand		2,507	5,449
		13,146	21,709
Creditors (amounts falling due within one year)	6	(2,968)	(10,720)
Net current assets		10,178	10,989
Creditors (amounts falling due in more than one year)	6	(6,603)	(8,187)
		3,575	2,802
Provisions for liabilities and charges	7	(732)	(590)
Net assets		2,843	2,212
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	2,843	2,212
Total equity shareholder's funds		2,843	2,212

The financial statements on pages 4 to 13 were approved by the Board on 25 June 2004 and were signed on its behalf by:



A D Banks
Director

ECD (Cookham Wood) Limited

Reconciliation of movement in equity shareholder's funds for the year ended 31 December 2003

	2003	2002
	£'000	£'000
Profit for the financial year	631	640
Net addition to equity shareholder's funds	631	640
Opening equity shareholder's funds	2,212	1,572
Closing equity shareholder's funds	2,843	2,212

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2003

1 Accounting policies

A summary of the company's principal accounting policies is set out below.

Basis of preparation of accounts

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards. Narrative disclosures of values in the notes to the accounts are shown as round £'000.

Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom.

The company recognises income when it has fully fulfilled its contractual obligations.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Leased assets

Payments under operating leases are charged to the profit and loss on a straight-line basis over the lease term.

Contract debtor

Amounts recoverable under long term Private Finance Initiative contracts are transferred to a contract debtor in accordance with the requirements of Financial Reporting Standard 5 Application Note F – Private Finance Initiative and Similar Contracts. The amounts receivable (which may include the costs of construction of related assets) are treated as a long-term contract debtor from the commencement of the operating contract, with a constant proportion of the net revenue arising from the project being allocated to remunerate the contract debtor. Imputed interest receivable is allocated to the contract debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term, the contract debtor is expected to be fully repaid.

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

1 Accounting policies (continued)

Financial instruments

The company uses derivative financial instruments to hedge its exposure to fluctuations in interest rates. Financial instruments used to hedge interest rates are valued at cost. Receipts and payments on interest rate instruments are recognised in the profit and loss account over the economic life of the instrument or underlying position being hedged, within net interest. Gains or losses arising on hedging instruments, which do not qualify as hedges for accounting purposes, are taken to the profit and loss account as they arise.

Discounts, premia and related costs of debt issue are charged to the profit and loss account over the life of the instrument to which they relate.

Cash flow statement

At 31 December 2003, the company was a wholly owned subsidiary of Education Care and Discipline Limited, which prepares consolidated group financial statements including a group cash flow statement. In accordance with Financial Reporting Standard 1 (revised), no cash flow statement is therefore included in these financial statements

2 Operating profit

The company had no employees during the year (2002 none). The directors have no contract of service with the company. No remuneration was paid to the directors in respect of their services to the company (2002: £nil).

The audit fee in respect of the company was £5,000 (2002: £5,000) for the year. In addition the company bore the audit fee of £2,000 (2002: £1,000) on behalf of its parent company during the year. The auditors also received remuneration for other services totalling £5,000 (2002: £3,000). All of these costs have been borne by the subsidiary undertaking.

Operating lease expenditure incurred in respect of other leases during the year was £1 (2002: £1).

3 Interest

	2003	2002
	£'000	£'000
Bank interest receivable	114	107
Imputed interest on contract debtor	885	938
Interest receivable and similar income	999	1,045
Interest payable on long term loans	(764)	(856)
Amortisation of debt issue costs	(11)	(11)
Interest payable and similar charges	(775)	(867)

Interest is imputed on the contract debtor using a property specific rate of 9.04% (2002: 9.04%).

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

4 Taxation on profit on ordinary activities

	2003	2002
	£'000	£'000
Analysis of charge in period		
Current tax		
UK corporation tax on profits of the period	422	381
Adjustments in respect of previous periods	(141)	-
Deferred tax		
Origination and reversal of timing differences (note 7)	1	38
Adjustments in respect of previous periods (note 7)	141	-
Tax on profit on ordinary activities	423	419

The tax for the period is lower (2002: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Factors affecting tax charge for period

Profit on ordinary activities before tax	1,054	1,059
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	316	318
Effects of:		
Remuneration of contract debtor less capital allowances and imputed interest for the period	106	63
Adjustments in respect of previous periods	(141)	-
Current tax charge for the period	281	381

Factors that may affect future tax charges

The company has incurred significant expenditure in the construction of the secure training centre on which it has claimed tax relief through capital allowances and claims for interest and loan related expenditure during the construction period. It has used these claims to offset its current liabilities and retains tax losses to offset liabilities in future years. As amounts are recovered to remunerate these costs they will be brought into current taxation in the year in which they are received. As a result of these claims there exist significant timing differences, which are expected to reverse over the period of the contract term.

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

5 Debtors

	2003	2002
	£'000	£'000
Amounts falling due within one year:		
Other debtors	1,190	6,193
Contract debtor	676	618
	1,866	6,811
Amounts falling due in more than one year:		
Contract debtor	8,773	9,449

6 Creditors

	2003	2002
	£'000	£'000
Amounts falling due within one year:		
Bank borrowings	1,084	1,051
Trade creditors	773	4,565
Corporation tax	783	575
VAT	111	-
Accruals and deferred income	217	4,529
	2,968	10,720
Amounts falling due in more than one year		
Bank borrowings	6,686	7,684
Less: issue costs	(83)	(97)
	6,603	7,587
Other loans	-	600
	6,603	8,187

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

6 Creditors (continued)

Bank borrowings relate to a term loan facility of £12,550,000 granted by ABN Amro Bank NV to the company. The term loan facility was fully drawn down in 1998. At 31 December 2003, £7,684,000 (2002: £8,746,000) remains outstanding. The company has an additional working capital facility of £300,000 (2002: £300,000). At 31 December 2003, £100,000 (2002: £nil) was utilised.

The loan facility is repayable in twenty-six six monthly instalments and payment commenced on 15 December 1998. Interest is charged on balances outstanding on the facilities based on the floating LIBOR rate. The company has entered into swap agreements with ABN Amro Bank NV in order to fix the interest rate at 7.785% applied to projected balances on the facility to 31 March 2011. The term loan and working capital facilities are secured by a fixed charge over all leasehold interests, book debts, project accounts and intellectual property of the company and by a floating charge over the company's undertakings and assets. Loan issue costs have been offset against bank borrowings and are amortised over the term of the loan in accordance with the provisions of Financial Reporting Standard 4.

The other loans balance of £nil (2002: £600,000) related to zero coupon perpetual subordinated loan stock issued at par by Education Care and Discipline Limited. Full and final redemption has been made at par during the year ended 31 December 2003.

Education Care and Discipline Limited has in turn issued corresponding loan stock and made corresponding redemptions to its shareholders in proportion to their shareholdings.

Maturity of debt

	2003	2002
	£'000	£'000
In one year or less	1,084	1,051
In more than one year, but not more than two years	899	984
In more than two years, but not more than five years	3,023	2,870
In more than five years	2,681	3,733
	7,687	8,638

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

7 Provisions for liabilities and charges

	2003	2002
	£'000	£'000
Provision for deferred taxation		
Accelerated capital allowances and accelerated finance costs	732	590
Total provision for deferred tax	732	590
Provision at 1 January 2003	590	
Deferred tax charge in profit and loss account for the period (note 4)	142	
Provision at 31 December 2003	732	

8 Called up share capital

	2003	2002
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

9 Profit and loss account

	£'000
At 1 January 2003	2,212
Profit for the financial year	631
At 31 December 2003	2,843

10 Obligations under leases

The company has entered into operating leases and has annual commitments under leases for land and buildings of £1 (2002: £1) expiring after five years.

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

11 Commitments

Under the terms of the original contract dated 3 March 1997 as amended on 11 January 2002, the company is committed to pay fixed and variable fees to GSL UK Limited (formerly Group 4 Falck Global Solutions (UK) Limited) based on the number of available trainee place at STC Cookham Wood. Payments in the year ended 31 December 2003 were £8,708,000 (2002: £4,189,000).

12 Related party disclosures

Under the terms of a contract dated 11 January 2002, payments of £4,469,000 (2002: £2,493,000) were made to Carillion Construction Limited, a company related to Carillion Private Finance Limited, for design and construction services relating to the extension.

In addition to contractual commitments set out in note 11 above, Global Solutions Limited (formerly Group 4 Falck Global Solutions Limited) and GSL UK Limited (formerly Group 4 Falck Global Solutions (UK) Limited), companies related to GSL Joint Ventures Limited (formerly Group 4 Falck Joint Ventures Limited), provided administrative and technical services to the company during the year at a cost of £26,000 (2002: £13,000) for Global Solutions Limited, and £72,000 (2002: £69,000) for GSL UK Limited. Similar services were also provided by Carillion Construction Limited, at a cost of £51,000 (2002: £47,000).

GSL UK Limited also provided services for other operational costs of £29,000 (2002: £1,250,000) which includes £nil (2002: £975,000) start up costs for the extension.

At the year end there was £nil (2002: £nil) payable to Global Solutions Limited, £874,000 (2002: £1,569,000) to GSL UK Limited and £31,000 (2002: £2,979,000) payable to Carillion Construction Limited.

13 Parent undertakings

The company is a wholly owned subsidiary of Education Care and Discipline Limited, a company which files consolidated financial statements in England. Fifty percent of the shares of the company are held by Carillion Private Finance Limited and the remaining fifty percent of the shares are held by GSL Joint Ventures Limited (formerly Group 4 Falck Joint Ventures Limited). Both shareholders are companies incorporated in the United Kingdom.