

ECD (Cookham Wood) Limited

Annual report and financial statements

for the year ended 31 March 2012



ECD (Cookham Wood) Limited

Annual Report and financial statements

for the year ended 31 March 2012

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ECD (Cookham Wood) Limited

Directors and advisers

Directors

P Cook
C Elliott
B Ravi Kumar
R Morris
A Birch

Company Secretary

Semperian Secretariat Services Limited

Registered Office

St Martins House
1 Gresham Street
London
EC2V 7BX

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

ECD (Cookham Wood) Limited

Directors' report

for the year ended 31 March 2012

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 31 March 2012

Principal activities and business review

The company is engaged under a 16 year contract, signed on 3 March 1997, for the provision of the design, construction and management services, including related financing arrangements, for a secure training centre for juveniles, STC Medway, near Rochester, Kent Its registered number is 03241233

The profit for the year under review as set out in the profit and loss account on page 7 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

Results and dividends

The profit for the year, after taxation, amounted to £836,218 (2011 £773,564)

Dividends and transfers to reserves

Dividends of £1,893,863, £18,939 per share (2011 £2,066,000, £20,660 per share) have been paid during the year No final dividends are proposed at the year end (2011 £nil)

Principal risks and uncertainties

The company's principal activity as detailed above is risk averse as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations The financial risks and the measures taken to mitigate them are as detailed in the following section

Financial risk management

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance The company also reviews the performance of subcontractors on a monthly basis and takes action if the performance levels fall below the required standards The board has policies for managing each of these risks and they are summarised below

Interest rate risk

The company has repaid all senior and subordinated debt and therefore is not exposed to interest rate risk

Inflation risk

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation

Liquidity risk

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due

Credit risk

The company receives the bulk of its revenue from the Youth Justice Board and therefore is not exposed to significant credit risk Cash investments are with institutions of a suitable credit quality and are regularly reviewed by the directors

ECD (Cookham Wood) Limited

Directors' report

for the year ended 31 March 2012 (*Continued*)

Major maintenance risk

The company is responsible for managing the ongoing major maintenance and replacement expenditure on the buildings but the risks associated with this activity are largely borne by the subcontractor

Key performance indicators ('KPIs')

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities including performance and availability. The Board monitor these on a regular basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

Directors

The directors who served the company during the year and up to the date of signing the financial statements are set out below

A Banks	- Resigned 12/05/2011
P Cook	
B Dalglish	- Resigned 31/03/2012
C Elliott	
B Ravi Kumar	
R Morris	- Appointed 12/05/2011
A Birch	- Appointed 31/03/2012

Statement of directors' responsibilities

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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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 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.

ECD (Cookham Wood) Limited

Directors' report

for the year ended 31 March 2012 (*Continued*)

Statement of disclosure of information to auditors

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Independent auditors

The auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office

By order of the board,



M. SEEBALUCK
Semperian Secretariat Services Limited
Company secretary

Approved by the directors on 29 June 2012

ECD (Cookham Wood) Limited

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

We have audited the financial statements of ECD (Cookham Wood) Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities, set out on page 3, 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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.

ECD (Cookham Wood) Limited

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



Paul Nott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

4 July 2012

ECD (Cookham Wood) Limited

Profit and loss account for the year ended 31 March 2012

	Note	2012 £	2011 £
Turnover		14,001,730	12,984,624
Cost of sales		<u>(12,864,741)</u>	<u>(11,888,791)</u>
Gross Profit		1,136,989	1,095,833
Administrative expenses		<u>(133,385)</u>	<u>(251,620)</u>
Operating Profit	2	1,003,604	844,213
Interest receivable and similar income	3	207,231	319,563
Profit on ordinary activities before taxation		1,210,835	1,163,776
Tax on profit on ordinary activities	4	<u>(374,617)</u>	<u>(390,212)</u>
Profit for the financial year	10	<u>836,218</u>	<u>773,564</u>

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom for both the current and the prior year

There is no difference between the profit for the financial years as shown in the profit and loss account above and their historical cost equivalents

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 notes on pages 9 to 15 form part of these financial statements.

ECD (Cookham Wood) Limited

Balance sheet as at 31 March 2012

	Note	2012 £	2011 £
Current assets			
Debtors amounts falling due within one year	6	1,490,126	1,361,418
Debtors amounts falling due after more than one year	6	125,576	1,561,219
Cash at bank and in hand		1,888,622	353,339
		<u>3,504,324</u>	<u>3,275,976</u>
Creditors: amounts falling due within one year	7	(2,152,795)	(704,756)
Net current assets		<u>1,351,529</u>	<u>2,571,220</u>
Provisions for liabilities			
Deferred tax	8	(77,425)	(239,471)
Net assets		<u>1,274,104</u>	<u>2,331,749</u>
Capital and reserves			
Called-up share capital	9	100	100
Profit and loss account	10	1,274,004	2,331,649
Total shareholders' funds	12	<u>1,274,104</u>	<u>2,331,749</u>

These financial statements on pages 7 to 15 were approved by the Board of directors on 29 June 2012, and are signed on their behalf on 29 June 2012, by

B - Ravi Kumar

B Ravi Kumar
Director

Company Registration Number 03241233

The notes on pages 9 to 15 form part of these financial statements.

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 March 2012

1. Accounting policies

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 2006 and applicable accounting and financial reporting standards in the United Kingdom

A summary of the company's principal accounting policies, which have been consistently applied, is set out below

Cash flow statement

As at 31 March 2012, 100% of the voting rights of the company were controlled by Semperian PPP Investment Partners Holdings Limited. As permitted by Financial Reporting Standard 1 (Revised 1996) 'Cash flow statements', no cash flow statement is included in these financial statements

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. In accordance with Financial Reporting Standard 5 – Reporting the substance of transactions - Application Note G, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements

Accrued income relates to services in the year for which no sales invoice was raised until after year end

Dividend policy

Dividend recognition is in line with Financial Reporting Standard 21 – Events after the Balance Sheet date, such that dividends are recognised when paid

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

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 March 2012 (Continued)

1. Accounting policies (Continued)

Leased assets

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

Financial asset - contract debtor

In accordance with Financial Reporting Standard 5 - Application Note F, the costs incurred in building the asset have been treated as a contract debtor. This treatment arose from applying the guidance within the Application Note which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The amounts receivable (which represents the cost of construction of related assets) are treated as a long-term contract debtor from the commencement of the operating contract, with a constant amount of the planned 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.

Major maintenance replacement

As noted in the directors' report, the company is ultimately responsible for the on-going major maintenance and replacement expenditure, but the risks associated with this activity are largely passed to the subcontractor. Turnover and costs are recorded, in the profit and loss account, in the period in which the costs of major maintenance replacement are incurred.

2. Operating profit

The company had no employees during the year (year ended 31 March 2011: none). The remuneration of the directors is paid by the controlling parties and their services to the company are primarily of a non-executive nature. The controlling parties charged £nil (year ended 31 March 2011: £nil) to the company in respect of these services.

The audit fee in respect of the company was £8,700 (year to 31 March 2011: £8,500) for the year. In addition, the company bore £1,500 (year ended 31 March 2011: £1,500) in respect of the audit fee for its immediate parent company during the year which was not recharged. The auditors also received remuneration for tax services totalling £nil (year ended 31 March 2011: £nil).

Operating lease expenditure incurred in respect of other leases during the year was £1 (year to 31 March 2011: £1).

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 March 2012 (Continued)

3. Interest receivable and similar income

	2012	2011
	£	£
Bank interest receivable	969	305
Imputed interest on contract debtor	206,262	319,258
	<u>207,231</u>	<u>319,563</u>

Interest is imputed on the contract debtor using a property specific rate of 9.04% (year to 31 March 2011: 9.04%)

4. Tax on profit on ordinary activities

(A) Analysis of charge in the year

	2012	2011
	£	£
Current tax:		
UK corporation tax based on the results for the year at 26% (2011: 28%)	554,764	551,330
Over provision in prior years	(18,101)	(1,526)
Total current tax	<u>536,663</u>	<u>549,804</u>
Deferred tax:		
Origination and reversal of timing differences	(154,828)	(141,171)
Impact of change in tax rate	(7,218)	(18,421)
Total deferred tax (note 9)	<u>(162,046)</u>	<u>(159,592)</u>
Tax on profit on ordinary activities	<u>374,617</u>	<u>390,212</u>

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 March 2012 (Continued)

4. Tax on profit on ordinary activities (Continued)

(B) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2011 higher) than the standard rate of corporation tax in the UK of 26% (2011 28%)

	2012 £	2011 £
Profit on ordinary activities before taxation	<u>1,210,835</u>	<u>1,163,776</u>
UK corporation tax based on the results for the year at 26% (2011 28%)	314,817	325,857
Adjustments to tax charge in respect of previous years	-	(1,526)
Amortisation of non qualifying expenditure	67,018	84,302
Accelerated capital allowances and other timing differences	<u>154,828</u>	<u>141,171</u>
Total current tax (note 5(a))	<u>536,663</u>	<u>549,804</u>

(C) Factors that may affect future tax charges

The current tax charge will continue to be affected by timing differences in respect of the contract debtor, although these timing differences will have an opposite impact on the deferred tax charge so there should be no overall impact on the tax charge

Finance Act 2011, which received Royal Assent on 19 July 2011, included legislation to reduce the main rate of corporation tax from 26% to 25%, effective from 1 April 2012

Further reductions to the main rate of corporation tax were also announced in the March 2012 Budget. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. This reduction replaces the decrease to 25% previously enacted in Finance Act 2011.

Proposed further reductions to 23% and 22% are expected to be included in Finance Bill 2012 and Finance Bill 2013, respectively. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements. The effect of the proposed further reductions to the main rate of corporation tax would be to further reduce the deferred tax liability by £7,218.

5. Dividends

	2012 £	2011 £
Paid during the year		
Dividends paid of £18,939 (2011 £20,660) per ordinary share	<u>1,893,863</u>	<u>2,066,000</u>

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 March 2012 (Continued)

6. Debtors

Amounts falling due within one year

	2012	2011
	£	£
Trade debtors	10,536	–
Contract debtor	1,435,643	1,311,999
Prepayments and accrued income	43,947	49,419
	<u>1,490,126</u>	<u>1,361,418</u>

Amounts falling due after more than one year

	2012	2011
	£	£
Contract debtor	<u>125,576</u>	<u>1,561,219</u>

7. Creditors: Amounts falling due within one year

	2012	2011
	£	£
Amounts owed to group undertakings – group relief	348,546	252,601
Trade creditors	1,328,001	17,353
VAT payable	392,055	337,092
Accruals and deferred income	84,193	97,710
	<u>2,152,795</u>	<u>704,756</u>

8. Deferred tax

The movement in the deferred taxation provision during the year was

	2012	2011
	£	£
Provision brought forward	239,471	399,063
Credit for the year ended 31 March 2012	(162,046)	(159,592)
Provision carried forward	<u>77,425</u>	<u>239,471</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2012	2011
	£	£
Accelerated capital allowances and finance costs	<u>77,425</u>	<u>239,471</u>

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

9. Share capital

Allotted, called up and fully paid:

	2012 £	2011 £
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

10. Profit and loss account

	2012 £	2011 £
Balance brought forward	2,331,649	3,624,085
Profit for the financial year	836,218	773,564
Dividends paid	(1,893,863)	(2,066,000)
Balance carried forward	<u>1,274,004</u>	<u>2,331,649</u>

11. Operating lease commitments

The company has entered into an operating lease and has an annual commitment under leases for land and buildings of £1 (2011 £1) expiring within two to five years

12. Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	836,218	773,564
Dividends paid	(1,893,863)	(2,066,000)
Net reduction in shareholders' funds	(1,057,645)	(1,292,436)
Opening shareholders' funds	<u>2,331,749</u>	<u>3,624,185</u>
Closing shareholders' funds	<u>1,274,104</u>	<u>2,331,749</u>

13. 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 G4S Integrated Services (UK) Limited (formerly GSL UK Limited) based on the number of available trainee places at STC Medway. Charges in the year to 31 March 2012 were £12,778,224 (year to 31 March 2011 £11,800,976)

14. Related party disclosures

As a fully controlled subsidiary of Semperian PPP Investment Partners Holdings Limited, the company has taken advantage of the exemption under Financial Reporting Standard 8 - Related party disclosures of the requirement to disclose transactions between it and other group companies

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 March 2012 ***(Continued)***

15. Immediate and ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Education Care and Discipline Limited, a company registered in England and Wales. The ultimate parent undertaking and controlling party is Semperian PPP Investment Partners Holdings Limited which is registered in Jersey. The smallest group and largest group to consolidate these financial statements is Semperian PPP Investment Partners Holdings Limited.

Consolidated financial statements for Semperian PPP Investment Partners Holdings Limited can be obtained from the Company Secretary at St Martins' House, 1 Gresham Street, London, EC2V 7BX.