

ECD (COOKHAM WOOD) LIMITED
(REGISTERED NUMBER 3241233)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2002



ECD (COOKHAM WOOD) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

The directors submit their report and the audited financial statements of the company for the year ended 31 December 2002.

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 has 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 is chargeable to the Youth Justice Board in respect of the extension and is included in turnover in the profit and loss account on page 4. No additional financing arrangements were required.

The profit and loss account is set out on page 4.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividend is proposed (2001: £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 2002, and subsequently, were:

A D Banks	
S R Brown	(appointed 4 March 2003)
C Elliott	
H Gilbey	(appointed 26 March 2003)
S N Jones	(appointed 26 March 2003)
R W Robinson	
C F G Girling	(resigned 26 March 2003)
J A Harrower	(resigned 8 February 2003)
F R Herzberg	(resigned 26 March 2003)

DIRECTORS' INTEREST IN SHARES

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

EUROPEAN MONETARY UNION

The directors are aware of the implications of the European Monetary Union. No significant costs have arisen during the year.

ECD (COOKHAM WOOD) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 21 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

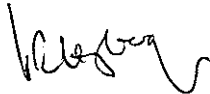
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 with the exception of the changes arising on the adoption of the new accounting standards in the year as explained on page 7 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 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
SECRETARY
30 April 2003

ECD (COOKHAM WOOD) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ECD (COOKHAM WOOD) LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual 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 any 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 annual 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 2002 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
30 April 2003

ECD (COOKHAM WOOD) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £'000	2001 £'000
Turnover	1	13,625	4,900
Operating costs		(11,375)	(3,922)
Administrative expenses		(1,369)	(127)
OPERATING PROFIT	2	881	851
Interest payable and similar charges	3	(867)	(946)
Interest receivable and similar income	3	1,045	1,115
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,059	1,020
Taxation on profit on ordinary activities	4	(419)	(398)
RETAINED PROFIT FOR THE FINANCIAL YEAR	9	640	622

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 and its historical cost equivalent.

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

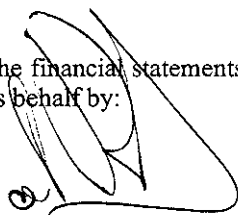
The movement on reserves is shown in note 9 to the financial statements.

ECD (COOKHAM WOOD) LIMITED

BALANCE SHEET AT 31 DECEMBER 2002

	Notes	2002 £'000	2001 £'000
CURRENT ASSETS			
Debtors (amounts falling due within one year)	5	6,811	1,118
Debtors (amounts falling due in more than one year)	5	9,449	10,066
Cash at bank and in hand		5,449	2,690
		<u>21,709</u>	<u>13,874</u>
CREDITORS (amounts falling due within one year)	6	<u>(10,731)</u>	<u>(2,123)</u>
NET CURRENT ASSETS		<u>10,978</u>	<u>11,751</u>
CREDITORS (amounts falling due in more than one year)	6	<u>(8,176)</u>	<u>(9,627)</u>
		<u>2,802</u>	<u>2,124</u>
PROVISIONS FOR LIABILITIES AND CHARGES	7	<u>(590)</u>	<u>(552)</u>
NET ASSETS		<u>2,212</u>	<u>1,572</u>
CAPITAL AND RESERVES			
Called up share capital	8	-	-
Profit and loss account	9	2,212	1,572
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>2,212</u>	<u>1,572</u>

The financial statements on pages 4 to 12 were approved by the Board on 30 April 2003 and were signed on its behalf by:



A D Banks

DIRECTOR

ECD (COOKHAM WOOD) LIMITED

**RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2002**

	2002 £'000	2001 £'000
Profit for the financial year	<u>640</u>	<u>622</u>
Net addition to equity shareholders' funds	640	622
Equity shareholders' funds as at 1 January	1,572	950
Equity shareholders' funds as at 31 December	<u>2,212</u>	<u>1,572</u>

ECD (COOKHAM WOOD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002

1 ACCOUNTING POLICIES

A summary of the company's principal accounting policies is set out below, together with an explanation of any changes that have been made to previous policies due to the adoption of new accounting standards in the year.

The requirements of FRS 19 'Deferred tax' been implemented in the current year. The adoption of this standard represents a change in accounting policy but no restatement of the prior year figures was required.

(1) Basis of preparation of accounts

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting and financial reporting standards. Narrative disclosures of values in the notes to the accounts are shown as round £'000.

(2) Turnover

Turnover represents the amount receivable, excluding value added tax, for goods, services supplied and fee income from contracts. All turnover originates in the United Kingdom.

The company recognises income when it has fully fulfilled its contractual obligations for which the payment was receivable.

(3) Deferred taxation

Following the introduction of FRS 19, provision is made for deferred tax in so far as a liability or asset arose as a result of transactions that had occurred by the balance sheet date and gave rise to an obligation to pay more tax in the future or a right to pay less tax in the future. An asset is only recognised to the extent that the transfer of economic benefits in the future is certain. Deferred tax assets and liabilities recognised have not been discounted.

(4) Leased assets

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

(5) 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.

(6) Cash flow statement

At 31 December 2002, 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 statement

ECD (COOKHAM WOOD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2002 (CONTINUED)

2 OPERATING PROFIT

The company had no employees during the year other than the directors. No remuneration was paid to the directors in respect of their services to the company (2001: £Nil).

The audit fee in respect of the company was £5,000 (2001: £5,000) for the year. In addition the company bore the audit fee of £1,000 (2001: £1,000) on behalf of its parent company during the year. The auditors also received remuneration for other services totalling £3,000 (2001: £2,000).

Operating lease expenditure incurred in respect of other leases during the year was £1 (2001: £1).

3 INTEREST

	2002	2001
	£'000	£'000
Interest payable on long term loans	(856)	(934)
Amortisation of debt issue costs	(11)	(12)
Interest payable and similar charges	(867)	(946)
Bank interest receivable	107	128
Imputed interest on contract debtor	938	987
Interest receivable and similar income	1,045	1,115

Interest is imputed on the contract debtor using the property specific rate of 9.04% (2001: 9.04%).

ECD (COOKHAM WOOD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

4 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
Analysis of charge in period		
Current tax		
UK corporation tax on profits of the period	381	319
Deferred tax		
Origination and reversal of timing differences (note 7)	38	79
Tax on profit on ordinary activities	<u>419</u>	<u>398</u>

The tax for the period is higher (2001: 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	1,059	1,020
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	318	306
Effects of:		
Remuneration of contract debtor less capital allowances and imputed interest for the period	63	13
Current tax charge for the period	<u>381</u>	<u>319</u>

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.

5 DEBTORS

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Contract debtor	618	565
Other debtors	6,193	553
	<u>6,811</u>	<u>1,118</u>
Amounts falling due in more than one year:		
Contract debtor	<u>9,449</u>	<u>10,066</u>

ECD (COOKHAM WOOD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

6 CREDITORS

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Bank borrowings	1,062	990
Trade creditors	4,565	542
Corporation tax	575	513
VAT	-	29
Accruals and deferred income	4,529	49
	<u>10,731</u>	<u>2,123</u>
Amounts falling due in more than one year:		
Bank borrowings	7,684	8,746
Less: issue costs	(108)	(119)
	<u>7,576</u>	<u>8,627</u>
Other loans	600	1,000
	<u>8,176</u>	<u>9,627</u>

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 1999. As at 31 December 2002 £8,746,000 (2001: £9,736,000) remains outstanding. The company has an additional working capital facility of £300,000 (2001: £300,000), at 31 December 2002, £nil (2001: £nil) was utilised. Loan issue costs have been offset against bank borrowings and are being amortised over the term of the facility as part of the finance cost in accordance with the provisions of Financial Reporting Standard 4.

The loan facility is repayable in twenty-six six monthly instalments, which commenced on 15 December 1998. Interest is charged on amounts drawn under 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 draw downs of £8,746,000 (2001: £9,779,000) 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.

The other loans balance of £600,000 (2001: £1,000,000) relates to zero coupon perpetual subordinated loan stock issued at par by Education Care and Discipline Limited. Partial redemption has been made at par during the year ended 31 December 2002. The company intends to make further redemptions in the future.

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

	2002 £'000	2001 £'000
In one year or less	1,062	990
In more than one year, but not more than two years	998	1,062
In more than two years, but not more than five years	2,910	2,879
In more than five years	3,776	4,805
	<u>8,746</u>	<u>9,736</u>

ECD (COOKHAM WOOD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

7 PROVISIONS FOR LIABILITIES AND CHARGES

	2002 £'000	2001 £'000
Provision for deferred taxation		
Accelerated capital allowances and accelerated finance costs	<u>590</u>	<u>552</u>
Total provision for deferred tax	<u>590</u>	<u>552</u>
Provision at 1 January	552	
Deferred tax charge in profit and loss account for the period (note 4)	<u>38</u>	
Provision at 31 December	<u>590</u>	

8 CALLED UP SHARE CAPITAL

	2002	2001
Authorised:		
100 Ordinary shares of £1 each	<u>£100</u>	<u>£100</u>
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	<u>£100</u>	<u>£100</u>

9 PROFIT AND LOSS ACCOUNT

	2002 £'000
At 1 January	1,572
Profit for the financial year	<u>640</u>
At 31 December	<u>2,212</u>

10 OBLIGATIONS UNDER LEASES

The company has entered into an operating lease and has an annual commitment under leases for land and buildings of £1 (2001: £1) expiring after five years.

11 COMMITMENTS

Under the terms of the original contract, dated 3 March 1997, the company is committed to pay fixed and variable fees to 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 2002 were £4,189,000 (2001: £3,952,000).

ECD (COOKHAM WOOD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

12 RELATED PARTY DISCLOSURES

Under the terms of a contract dated 11 January 2002, payments of £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, Group 4 Falck Global Solutions Limited and Group 4 Falck Global Solutions UK Limited, companies related to Group 4 Falck Joint Ventures Limited, provided other administrative and technical services to the company during the year at a cost of £13,000 (2001: £Nil) for Group 4 Falck Global Solutions Limited, and £69,000 (2001: £45,470) for Group 4 Falck Global Solutions UK Limited.

Similar services were also provided by Carillion Construction Limited, at a cost of £47,000 (2001: £25,000).

Group 4 Falck Global Solutions UK Limited also provided services for other operational costs of £1,250,000 (2001: £nil) which includes £975,000 (2001: £nil) start up costs for the extension.

At the year end there was £nil (2001: £10,000) payable to Group 4 Falck Global Solutions Limited, £1,569,000 (2001: £511,000) to Group 4 Falck Global Solutions UK Limited and £2,979,000 (2001: £19,000) 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 Group 4 Falck Joint Ventures Limited. Both shareholders are companies incorporated in the United Kingdom.