

Wackenhut Corrections (UK) Limited

Accounts for the year ended 31 December 2000
together with directors' and auditors' reports

Registered number: 2878845



Directors' report

For the year ended 31 December 2000

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 2000.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year, 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts comply with the Companies Act of 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.

Principal activities

The company acts as a holding company in the United Kingdom and provides custodial facility design consultancy services to Premier Custodial Development.

The company has held a 50% joint interest in Premier Custodial Development, an unincorporated entity, throughout the year. Premier Custodial Development continues to search for tenders for custodial facility construction projects in the United Kingdom.

On 28 June 2000 the company and Serco Limited transferred their 50% interests in Kilmarnock Prison (Holdings) Limited to Premier Custodial Group Limited. In return, Premier Custodial Group Limited issued Ordinary shares in equal proportions to both the company and Serco Limited.

The company has held a 50% joint interest in Premier Custodial Group Limited throughout the year. Premier Custodial Group Limited provides custodial facility design services, the construction, management and finance of custodial facilities and the provision of custodial management services and electronic monitoring services.

Directors' report (continued)

Business review

Premier Custodial Development continues to search for tenders for custodial facility construction projects. During the year, no costs were incurred by this entity in connection with preparing tenders for custodial facility construction projects. The directors expect the general level of activity to increase with several tender submissions being considered in 2001.

The interest in Premier Custodial Group Limited represents interests in companies that provide custodial facility design services, the construction, management and finance of custodial facilities and the provision of custodial management services and electronic monitoring services. All of these companies have generated profits in the year and the directors expect this general trend to continue.

Results and dividends

The profit for the year, after taxation, amounted to £393,895 (1999: £1,559,740). The directors do not recommend the payment of a dividend (1999: £nil).

Directors and their interests

The directors who served during the year were as follows:

W. H. Calabrese

G. C. Zoley

None of the directors have any interests in the shares of the company required to be disclosed by Section VII of the Companies Act 1985.

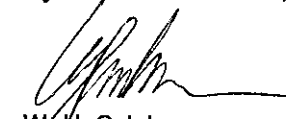
Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

100 New Bridge Street
London
EC4V 6JA

7 March 2002

By order of the Board,



W. H. Calabrese
Director

To the Shareholders of Wackenhut Corrections (UK) Limited:

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed asset investments, and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts 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


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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 2000 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
Berkshire
RG1 3BD

7 March 2002

Profit and loss account

For the year ended 31 December 2000

	Notes	Continuing operations	
		2000 £	1999 £
Turnover	2	-	504,832
Administrative expenses		(25,886)	(61,994)
Other operating income	4	422,250	1,851,100
Operating profit		396,364	2,293,938
Net interest receivable	3	26,624	69,254
Profit on ordinary activities before taxation	4	422,988	2,363,192
Tax on profit on ordinary activities	6	(29,093)	(803,452)
Profit on ordinary activities after taxation, being retained profit for the year	12	393,895	1,559,740

The accompanying notes are an integral part of this profit and loss account.

Statement of total recognised gains and losses

For the year ended 31 December 2000

		2000 £	1999 £
Profit for the financial year	12, 13	393,895	1,559,740
Unrealised gain on revaluation of investments	13	2,496,000	5,046,860
Total recognised gains and losses relating to the year		2,889,895	6,606,600

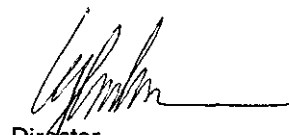
The accompanying notes are an integral part of this statement of total recognised gains and losses.

Balance sheet

31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Investments	7	<u>11,219,588</u>	<u>9,206,175</u>
Current assets			
Debtors	8	310,062	603,363
Cash at bank and in hand		<u>193,111</u>	<u>7,097,378</u>
		503,173	7,700,741
Creditors: Amounts falling due within one year	9	<u>(476,550)</u>	<u>(4,495,621)</u>
Net current assets		<u>26,623</u>	<u>3,205,120</u>
Total assets less current liabilities		11,246,211	12,411,295
Creditors: Amounts falling due after more than one year	10	<u>(979,521)</u>	<u>(5,034,500)</u>
Net assets		<u>10,266,690</u>	<u>7,376,795</u>
Capital and reserves			
Called-up share capital	11	125,002	125,002
Profit and loss account	12	2,323,688	1,929,793
Revaluation reserve	12	<u>7,818,000</u>	<u>5,322,000</u>
Equity shareholders' funds	13	<u>10,266,690</u>	<u>7,376,795</u>

Signed on behalf of the Board



Director
W. H. Calabrese

7 March 2002

The accompanying notes are an integral part of this balance sheet.

Notes to the accounts

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout both years are set out below.

a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed asset investments, and in accordance with applicable accounting standards.

b) Joint venture interests in unincorporated entities

The company owns a 50% interest in one unincorporated entity, Premier Custodial Development. The company receives payments from Premier Custodial Development in return for the provision of custodial facility design consultancy services. These payments comprise a fixed fee agreed in advance with the joint venture partner as opposed to a share of Premier Custodial Development's profits. These payments have therefore been classified as turnover.

c) Joint venture interests in incorporated entities

Investments in joint venture incorporated entities are revalued annually to an amount equal to the company's share of the underlying net assets of the associated undertakings, with any net unrealised gains being recognised as movements in the revaluation reserve and losses being charged to the profit and loss account.

d) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

e) Cash flow

As described in Note 14, the results of the company are included in the consolidated accounts of Wackenhut Corrections Corporation. These accounts, which are available to the public, include a consolidated cash flow statement. The directors have chosen to take advantage of the exemption set out in FRS 1 (Revised 1996) and have not presented a cash flow statement for the company.

2 Turnover

All turnover arose from activity in the United Kingdom and represents payments receivable from Premier Custodial Development in relation to provision by the company of custodial facility design services.

Notes to the accounts (continued)

3 Net interest receivable

	2000 £	1999 £
Interest receivable on loans made to subsidiaries of Premier Custodial Group Limited	28,555	702,642
Bank interest receivable	73,624	11,281
Total interest receivable	<u>102,179</u>	<u>713,923</u>
Interest payable on loans received from Wackenhut Corrections Corporation	<u>(75,555)</u>	<u>(644,669)</u>
Net interest receivable	<u>26,624</u>	<u>69,254</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	2000 £	1999 £
Auditors' remuneration:		
- audit services	5,000	7,375
- non-audit services	8,460	54,161
Gain from sale of subordinated debt	<u>(422,250)</u>	<u>(1,851,100)</u>

In December 1999 and in June 2000 the company sold a portion of the subordinated debt to an unrelated third party and the above gains were realised on the transactions.

5 Staff costs

The company employed no staff in the year (1999: Nil) and therefore incurred no staff costs in the year (1999: Nil).

In both years the directors received no remuneration for services provided to the company.

6 Tax on profit on ordinary activities

	2000 £	1999 £
UK corporation tax	-	674,335
Underprovision in respect of prior year	29,093	129,117
	<u>29,093</u>	<u>803,452</u>

There is a deferred tax asset, which has not been recognised.

Notes to the accounts (continued)

7 Fixed asset investments

	2000 £	1999 £
Joint ventures	8,518,000	6,022,000
Loans	2,701,588	3,184,175
	<u>11,219,588</u>	<u>9,206,175</u>

Joint ventures

	Premier Custodial Group Limited £	Kilmarnock Prison Services Limited £	Total £
Valuation			
At beginning of year	5,283,000	739,000	6,022,000
Transfers	739,000	(739,000)	-
Share of retained profit for the year	2,496,000	-	2,496,000
At end of year	<u>8,518,000</u>	<u>-</u>	<u>8,518,000</u>

On 28 June 2000 Premier Custodial Group Limited acquired the entire share capital of Kilmarnock Prison Services Limited, which was owned jointly by the company and Serco Limited, through issuing Ordinary 1p shares to the company and to Serco Limited in equal proportions.

As a result, as at 31 December 2000, the company owns 50% of the Ordinary issued share capital of Premier Custodial Group Limited and continues to own a 50% interest in Premier Custodial Development, an unincorporated venture.

Notes to the accounts (continued)

The company has the following interests in joint ventures:

	2000	1999	
	Premier Custodial Group Limited £	Premier Custodial Group Limited £	Kilmarnock Prison Services Limited £
Turnover	45,805,500	60,554,500	23,630,500
Profit on ordinary activities before taxation	4,857,000	3,435,000	593,000
Taxation	(2,361,000)	(1,032,000)	13,500
Profit on ordinary activities after taxation	2,496,000	2,403,000	606,500
Fixed assets	2,752,000	3,906,000	-
Current assets	119,115,000	85,701,000	21,368,500
Liabilities due within one year	(16,672,000)	(12,458,500)	(2,189,000)
Liabilities due after more than one year	(96,676,500)	(71,865,500)	(18,440,500)
Net assets	8,518,500	5,283,000	739,000

Were the company to own interests in subsidiary entities, and therefore prepare consolidated accounts, in each respective year the above profit on ordinary activities before taxation amounts would be included in the calculation of the group operating profit as the group's share of profits of joint ventures and the above taxation amounts would be included in the calculation of the group's current taxation charge. Further the above net asset amounts would be included as interests in joint ventures within investments in the group balance sheet.

Notes to the accounts (continued)

Loans

	£
At beginning of year	3,184,175
Amounts repaid	(1,484,548)
Interest receivable	28,555
Further loans made	973,406
At end of year	<u>2,701,588</u>

	2000 £	1999 £
Repayable as follows:		
- within one year	70,583	262,071
- between one and two years	45,000	147,246
- between two and five years	272,000	373,123
- after five years	2,314,005	2,401,735
	<u>2,701,588</u>	<u>3,184,175</u>

The company has made loans to Premier Custodial Finance Limited, a wholly owned subsidiary of Premier Custodial Group Limited, in relation to financing the construction and operation of various custodial facilities in the United Kingdom. The loans have been made on the following terms in relation to the following custodial and correction projects, all of which are managed by wholly owned subsidiaries of Premier Custodial Group Limited:

Entity	Bears interest at the rate of	Ultimate repayment date	Balance as at 31/12/00 £
Lowdham Grange	13% per annum	15 July 2014	405,625
Kilmarnock	8.5% per annum until 1 April 1999 thereafter	15 September 2015	586,691
Pucklechurch	8.5% per annum until 1 December 1999 13% per annum thereafter	15 July 2016	375,173
Medomsley	8.5% per annum until 1 October 1999 13% per annum thereafter	12 November 2012	174,820
Moreton	13% per annum	30 June 2018	1,159,279

These loans form part of a facility on which further draw downs are expected.

Notes to the accounts (continued)

8 Debtors

	2000 £	1999 £
Trade debtors	-	593,178
Amounts owed by parent company	2	2
Amounts receivable from joint venture	125,000	-
Corporation tax	185,060	-
Interest receivable	-	10,183
	<u>310,062</u>	<u>603,363</u>

9 Creditors: Amounts falling due within one year

	2000 £	1999 £
Trading amounts owed to parent company	313,511	286,983
Loans owed to parent company	30,653	2,157,004
Corporation tax payable	-	674,335
Accrued expenses	44,986	79,475
VAT payable	-	88,346
Accrued interest	87,400	1,209,478
	<u>476,550</u>	<u>4,495,621</u>

10 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Loans from Wackenhut Corrections Corporation	<u>979,521</u>	<u>5,034,500</u>

These loans are made on the same terms as the loans made by the company to the subsidiaries of Premier Custodial Group Limited as described in note 7 and therefore bear interest at the same rates and are ultimately repayable on the same dates. There are some timing differences in the repayment of the two loans. The loans to the company are repayable to Wackenhut Correction Corporation as follows:

	2000 £	1999 £
Between one and two years	14,340	468,768
Between two and five years	104,305	619,007
After five years	860,876	3,946,725
	<u>979,521</u>	<u>5,034,500</u>

Notes to the accounts (continued)

11 Called-up share capital

	2000 £	1999 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	126,000	126,000
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £1 each	125,002	125,002

12 Reserves

	Revaluation reserve £	Profit and loss account £	Total £
At beginning of year	5,322,000	1,929,793	7,251,793
Increase in value of net assets of joint ventures	2,496,000	-	2,496,000
Retained profit for the year	-	393,895	393,895
At end of year	7,818,000	2,323,688	10,141,688

13 Reconciliation of movement in equity shareholders' funds

	2000 £	1999 £
Profit for the financial year	393,895	1,559,740
New shares issued	-	125,000
Other recognized gains and losses relating to the year	2,496,000	5,046,860
Net additions to shareholders' funds	2,889,895	6,731,600
Opening equity shareholders' funds	7,376,795	645,195
Closing equity shareholders' funds	10,266,690	7,376,795

14 Related party disclosures

The smallest and largest group in which the accounts of the company are consolidated is Wackenhut Corrections Corporation, incorporated in the State of Florida, USA, whose accounts are available to the public at 4200 Wackenhut Drive, Palm Beach Gardens, Florida 33410-4243, USA.

As a subsidiary of Wackenhut Corrections Corporation, the company has taken advantage of the exemption in FRS 8 "Related party disclosures" not to disclose transactions with other members of the group headed by Wackenhut Corrections Corporation.