

# **Wackenhut Corrections (UK) Limited**

## **Report and Financial Statements**

31 December 2002



## Wackenhut Corrections (UK) Limited

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Registered No: 2878845

### **Directors**

W H Calabrese

D H Keens

### **Secretary**

Abogado Nominees Limited

100 New Bridge Street

London

EC4V 6JA

### **Auditors**

Ernst & Young LLP

Apex Plaza

Reading

Berkshire

RG1 1YE

### **Bankers**

Barclays Bank Plc

PO Box 544

54 Lombard Street

London

EX3V 9EX

### **Solicitors**

Baker & McKenzie

100 New Bridge Street

London

EX4V 6JA

### **Registered Office**

100 New Bridge Street

London

EC4 V6J

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2002.

### Results and dividends

The profit for the year, after taxation, amounted to £1,127,495 (2001: £2,135,147). The directors do not recommend the payment of a dividend (2001: £Nil).

### Principal activities and review of the business

The company acts as a holding company in the United Kingdom.

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.

On 2 July 2003 the Company sold its 50% interest in Premier Custodial Group Limited to Serco Investments Limited for £48,501,594.

The company has also held a 50% joint interest in Premier Custodial Development, an unincorporated entity, throughout the year. During 2003 this interest was sold as part of the sale of Premier Custodial Group Limited.

### Directors and their interests

The directors at 31 December 2002 and their interests in the share capital of the company were as follows:

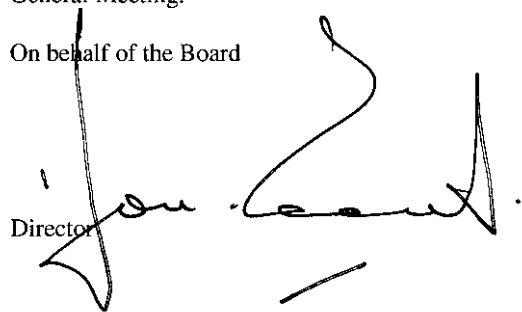
	<i>At 31 December 2002</i>	<i>At 1 January 2003 or subsequent date of appointment</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
W H Calabrese	-	-
D H Keens	-	-

The directors do not hold any interests in the shares of any other group company.

### Auditors

A resolution to reappoint Ernst & Young LLP, as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

  
Director

28 January 2004

## **Statement of directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements 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 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; 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 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 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.

# **Independent auditors' report**

## **to the members of Wackenhut Corrections (UK) Limited**

We have audited the company's financial statements for the year ended 31 December 2002, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.

Wackenhut Corrections (UK) Limited

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INDEPENDENT AUDITORS REPORT

**Profit and loss account**

**for the year ended 31 December 2002**

TO THE MEMBERS OF WACKENHUT CORRECTIONS (UK) LIMITED

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as 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.

6-7-7 LLP

Registered Auditor  
Southampton

28 January 2004

## Profit and loss account

for the year ended 31 December 2002

		Continuing operations	
		2002	2001
	Note	£	£
Administrative expenses		(148,248)	(19,144)
<b>Operating (loss)/profit</b>	2.	(148,248)	(19,144)
Income from investments	6.	1,057,000	2,002,000
Net interest receivable	3.	354,674	261,222
<b>Profit on ordinary activities before taxation</b>		1,263,426	2,244,078
Tax on profit on ordinary activities	5.	(135,931)	(108,931)
<b>Profit on ordinary activities after taxation, being retained profit for the year</b>	12.	1,127,495	2,135,147

## Statement of total recognised gains and losses

		2002	2001
	Note	£	£
Profit for the financial year		1,127,495	2,135,147
Unrealised gain on revaluation of investments	12.	1,863,000	2,095,000
<b>Total recognised gains and losses relating to the year</b>		2,990,495	4,230,147

## Balance sheet

at 31 December 2002

	Note	2002 £	2001 £
<b>Fixed assets</b>			
Investments	6.	15,440,031	13,601,384
<b>Current assets</b>			
Debtors	7.	174,848	315,831
Cash at bank and in hand		3,675,628	2,248,415
		3,850,476	2,564,246
<b>Creditors: amounts falling due within one year</b>	8.	(664,541)	(530,159)
<b>Net current assets</b>		3,185,935	2,034,087
<b>Total assets less current liabilities</b>		18,625,966	15,635,471
<b>Creditors: amounts falling due after more than one year</b>	9.	(1,138,634)	(1,138,634)
<b>Net assets</b>		17,487,332	14,496,837
<b>Capital and reserves</b>			
Called-up share capital	11.	125,002	125,002
Profit and loss account	12.	5,586,330	4,458,835
Revaluation reserve	12.	11,776,000	9,913,000
<b>Equity shareholders' funds</b>		17,487,332	14,496,837

Signed by order of the Board

Director

28 January 2004



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NOTES TO THE ACCOUNTS

## **Balance sheet**

at 31 December 2002

### **1. Accounting policies**

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

#### ***Basis of accounting***

The financial statements 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.

In preparing the financial statements for the current year, the group has adopted FRS 19 'Deferred Tax'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

#### ***Joint venture interests in unincorporated entities***

The company owns a 50% interest in one unincorporated entity, Premier Custodial Development. There has been no activity with respect to this investment during the current or prior year.

#### ***Joint venture interests in incorporated entities***

Investments in joint venture incorporated entities are revalued annually to an amount equal to the company's shares 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.

#### ***Deferred Taxation***

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date which will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

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

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

#### ***Cash flow***

As described in note 15, 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 Revised Financial Reporting Standard 1 (Revised 1996) and have not presented a cash flow statement for the company.

# Wackenhut Corrections (UK) Limited

NOTES TO THE ACCOUNTS

## Balance sheet

at 31 December 2002

### 2. Operating (loss)/profit

Operating (loss)/profit is stated after charging (crediting):

	2002 £	2001 £
Auditors' remuneration		
- audit services	57,508	7,500
- non-audit services	20,000	7,500
Former auditors' remuneration:		
- audit services	-	-
- non-audit services	35,380	4,134

### 3. Net interest receivable

	2002 £	2001 £
Interest receivable on loans made to subsidiaries of Premier Custodial Group Limited	415,147	356,096
Bank interest receivable	91,156	26,140
Total interest receivable	506,303	382,236
Interest payable on loans received from Wackenhut Corrections Corporation	(151,629)	(121,014)
Net interest receivable	354,674	261,222

### 4. Staff costs

The company employed no staff in the year (2001: Nil) and therefore incurred no staff costs in the year (2001: Nil).

Director's emoluments have been borne by the parent company, Wackenhut Corrections Corporation Inc. The directors of the company are also directors or officers of a number of companies within the Wackenhut Corrections Corporation Group. The director's services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company.

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NOTES TO THE ACCOUNTS

# **Balance sheet**

at 31 December 2002

## 5. Tax on profit on ordinary activities

a) Analysis of charge in the period

	2002 £	2001 £
<b>UK corporation tax</b>		
UK corporation tax on profits of the period	(135,931)	(108,931)
Adjustment in respect of prior year's corporation tax	-	-
<b>Tax on profit on ordinary activities</b>	<u>(135,931)</u>	<u>(108,931)</u>

b) Factors affecting charge for the period.

	2002 £	2001 £
Profit on ordinary activities before tax	1,263,426	2,244,078
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%, (2001: 30%)	379,028	673,223
Non taxable income	(317,100)	(600,600)
Other	22,515	-
Other timing differences	51,488	36,308
<b>Current charge for the year</b>	<u>135,931</u>	<u>108,931</u>

c) Factors that may affect future tax charges

The company has deferred tax assets, which are unprovided. This is due to insufficient evidence of the assets recoverability. These are made up as follows:

	2002 £	2001 £
Other timing differences	(114,012)	(62,524)

## 6. Fixed asset investments

	2002 £	2001 £
Joint ventures	12,476,000	10,613,000
Loans	2,964,031	2,988,384

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NOTES TO THE ACCOUNTS

**Balance sheet**

at 31 December 2002

<u>15,440,031</u>	<u>13,601,384</u>
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NOTES TO THE ACCOUNTS

**Balance sheet**

at 31 December 2002

**6. Fixed asset investments (continued)**

*Joint ventures*

	<i>Premier Custodial Group Limited £</i>
<b>Valuation</b>	
At beginning of the year	10,613,000
Share of retained profit for the year	1,863,000
At the end of the year	12,476,000

At 31 December 2002, the company owned 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.

The company has the following interests in joint ventures:

	<i>2002 Premier Custodial Group Limited £</i>	<i>2001 Premier Custodial Group Limited £</i>
Turnover	63,724,000	95,225,000
Profit on ordinary activities before taxation	4,990,000	6,155,000
Taxation	(2,070,000)	(2,058,000)
Profit on ordinary activities after taxation	2,920,000	4,097,000
Dividends	(1,057,000)	2,002,000
Retained profit	1,863,000	2,095,000
Intangible and fixed assets	2,271,500	2,340,000
Current assets	123,062,500	127,298,500
Liabilities due within one year	(20,913,500)	(18,236,000)
Liabilities due after more than one year	(91,944,500)	(100,789,500)
Net assets	12,476,000	10,613,000

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

**Balance sheet**

at 31 December 2002

**6. Fixed asset investments (continued)**

*Loans*

	£	
At beginning of the year	2,988,384	
Amounts repaid	(439,500)	
Interest incurred	415,147	
At the end of the year	<u>2,964,031</u>	
	2002	2001
	£	£
Repayable as follows:		
- within one year	131,163	65,338
- between one and two years	111,462	105,946
- between two and five years	351,840	306,810
- after five years	2,369,566	2,510,290
	<u>2,964,031</u>	<u>2,988,384</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 December 2002
			£
Lowdham Grange	13% per annum	15 July 2014	393,714
Kilmarnock	13% per annum	15 September 2015	570,785
Pucklechurch	13% per annum	15 July 2016	363,993
Medomsley	13% per annum	12 November 2012	172,351
Moreton	13% per annum	30 June 2018	1,463,188

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

**7. Debtors**

	2002	2001
	£	£
Amounts owed by parent company	-	21,852
Amounts receivable from joint venture	-	25,000
Corporation tax	174,848	268,979
	<u>174,848</u>	<u>315,831</u>

NOTES TO THE ACCOUNTS

# **Balance sheet**

at 31 December 2002

## **8. Creditors: amounts falling due within one year**

	2002 £	2001 £
Trading amounts owed to parent company	215,653	237,505
Loans owed to parent company	27,740	27,740
Accrued expenses	61,105	56,500
Accrued interest	360,043	208,414
	<u>664,541</u>	<u>530,159</u>

## **9. Creditors: amounts falling due after more than one year**

	2002 £	2001 £
Loans from Wackenhut Corrections Corporation	<u>1,138,634</u>	<u>1,138,634</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 6 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 Corrections Corporation as follows:

	2002 £	2001 £
Between one and two years	19,311	19,311
Between two and five years	116,645	116,645
After five years	1,002,678	1,002,678
	<u>1,138,634</u>	<u>1,138,634</u>

## **10. Provisions for liabilities and charges**

There is deferred tax asset of £114,012 (2001: £62,524) arising as a result of short-term timing differences, which has not been recognised.

## **11. Called-up share capital**

	2002 £	2001 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<u>126,000</u>	<u>126,000</u>
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £1 each	<u>125,002</u>	<u>125,002</u>

NOTES TO THE ACCOUNTS

## Balance sheet

at 31 December 2002

### 12. Reconciliation of shareholders' funds and movements on reserves

	Share capital	Revaluation reserve	Profit and loss account	Total share- holders' funds
	£'000	£'000	£'000	£'000
At 1 January 2001	125,002	7,818,000	2,323,688	10,266,690
Increase in value of net assets of associates	-	2,095,000	-	2,095,000
Profit for the year	-	-	2,135,147	2,135,147
At 31 December 2001	125,002	9,913,000	4,458,835	14,496,837
Increase in value of net assets of associates	-	1,863,000	-	1,863,000
Profit for the year	-	-	1,127,495	1,127,495
At 31 December 2002	125,002	11,776,000	5,586,330	17,487,332

### 13. Related party disclosures

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

There were no other related party transactions to disclose.

### 14. Post Balance Sheet Events

On 2 July 2003, the company sold its 50% interest in Premier Custodial Group Limited to Serco Investments Limited for £48,501,594. As part of the sale its 50% interest in Premier Custodial Development, an unincorporated entity, was also disposed of.

### 15. Ultimate parent undertaking

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 One Park Place, Suite 700, 621 NW 53<sup>rd</sup> Street, Boca Raton, Florida 33487, United States of America.