

ECD (Cookham Wood) Limited
Annual report and financial statements
for the year ended 31 December 2007

Registered number 3241233

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ECD (Cookham Wood) Limited

Annual report and financial statements for the year ended 31 December 2007

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ECD (Cookham Wood) Limited

Directors' report for the year ended 31 December 2007

The directors submit their annual report and the audited financial statements of the company for the year ended 31 December 2007

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 profit for the year under review as set out in the profit and loss account on page 5 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

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 board has policies for managing each of these risks and they are summarised below

Interest rate risk

The company has hedged its interest rate risk by using derivative financial instruments as described in note 1

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

ECD (Cookham Wood) Limited

Directors' report for the year ended 31 December 2007 (continued)

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. 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.

Dividends and transfers to reserves

Dividends of £553,000, £5,530 per share (2006: £nil) have been paid during the year. No final dividend is proposed (2006: £nil). The amount transferred to reserves is set out in the profit and loss account on page 5.

Directors

The directors of the company during the year ended 31 December 2007, and subsequently, were

A D Banks	
P R Cook	
B W Dalglish	(appointed 21 February 2007)
C Elliott	
B S Williams	(resigned 14 August 2007)

ECD (Cookham Wood) Limited

Directors' report for the year ended 31 December 2007 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

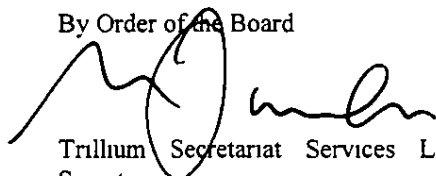
Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

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

By Order of the Board



Trillum Secretariat Services Limited (previously known as SMIF Secretariat Services Limited)
Secretary
19th March 2008

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 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, Reconciliation of Movement in Total Shareholder's Funds, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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

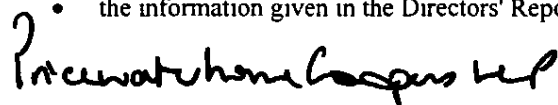
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

7th April 2008

ECD (Cookham Wood) Limited

Profit and loss account for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Turnover	1	11,209	10,757
Operating costs		(10,092)	(9,646)
Gross profit		1,117	1,111
Administrative expenses		(463)	(478)
Operating profit	3	654	633
Interest receivable and similar income	4	814	838
Interest payable and similar charges	4	(422)	(512)
Profit on ordinary activities before tax		1,046	959
Tax on profit on ordinary activities	5	(3)	(397)
Profit for the financial year	11	1,043	562

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 profit above and therefore no separate statement of total recognised gains and losses has been presented

The movement on reserves is shown in note 11 to the financial statements

ECD (Cookham Wood) Limited

Balance sheet as at 31 December 2007

	Notes	2007 £'000	2006 £'000
Current assets			
Debtors amounts falling due within one year	5	2,126	2,009
Debtors amounts falling due after more than one year	5	5,427	6,407
Cash and bank deposits		3,105	3,018
		10,658	11,434
Creditors: amounts falling due within one year	6	(2,809)	(2,887)
Net current assets		7,849	8,547
Creditors: amounts falling due after more than one year	6	(2,679)	(3,730)
Provisions for liabilities and charges	7	(638)	(775)
Net assets		4,532	4,042
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	10	4,532	4,042
Total shareholder's funds		4,532	4,042

The financial statements on pages 5 to 17 were approved by the Board on 19th March 2008 and were signed on its behalf by



B Dagleish
Director

ECD (Cookham Wood) Limited

Reconciliation of movement in total shareholder's funds for the year ended 31 December 2007

	2007	2006
	£'000	£'000
Profit for the financial year	1,043	562
Dividends (note 10)	(553)	-
Net addition to total shareholder's funds	490	562
Total shareholder's funds as at 1 January	4,042	3,480
Total shareholder's funds as at 31 December	4,532	4,042

ECD (Cookham Wood) Limited

Cash flow statement for the year ended 31 December 2007

	Notes	2007	2006
		£'000	£'000
Net cash inflow from operating activities	2	1,543	1,621
Returns on investment and servicing of finance			
Interest received		814	838
Interest paid		(414)	(507)
		400	331
Tax		(274)	(409)
Equity dividends paid to shareholders		(553)	-
Financing			
Net decrease in borrowings		(1,029)	(1,189)
Increase in cash		87	354

Reconciliation of net cash flow to movement in net debt

	Notes	2007	2006
		£'000	£'000
Increase in cash in the period		87	354
Decrease in bank borrowings		1,029	1,189
Other non cash changes	14	(14)	(15)
Movement in net debt in the period	14	1,102	1,528
Net debt at 1 January		(1,727)	(3,255)
Net debt at 31 December	14	(625)	(1,727)

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2007

1 Accounting policies

A summary of the company's principal accounting policies, which have been consistently applied, 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 and financial reporting 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. In accordance with Financial Reporting Standard 5 – 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.

Dividend policy

Dividend disclosure is in line with Financial Reporting Standard 21, such that dividends are recognised when paid.

Deferred tax

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.

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

1 Accounting policies (continued)

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.

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.

2 Cash flow from operating activities

	2007	2006
	£'000	£'000
Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	654	633
Decrease in contract debtor	1,519	1,518
(Increase)/decrease in debtors	(32)	(34)
Increase in creditors	26	205
Net cash inflow from operating activities	1,543	1,621

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

3 Operating profit

The company had no employees during the year (2006 none) The remuneration of the directors is paid by the controlling parties and their services to the company are of a non-executive nature The controlling parties charged £nil (2006 £nil) to the company in respect of these services

The audit fee in respect of the company was £6,000 (2006 £6,000) for the year In addition the company bore the audit fee of £3,000 (2006 £3,000) on behalf of its parent company during the year The auditors also received remuneration for tax services totalling £2,000 (2006 £3,000)

Operating lease expenditure incurred in respect of other leases during the year was £1 (2006 £1)

4 Net interest

	2007	2006
	£'000	£'000
Bank interest receivable	190	137
Imputed interest on contract debtor	624	701
Interest receivable and similar income	814	838
Interest payable on long term loans	(408)	(497)
Amortisation of debt issue costs	(14)	(15)
Interest payable and similar charges	(422)	(512)
Net interest receivable	392	326

Interest is imputed on the contract debtor using a property specific rate of 9.04% (2006 9.04%)

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Notes to the financial statements for the year ended 31 December 2007 (continued)

5 Tax on profit on ordinary activities

As a consequence of a corporation tax rate change announced in the 2007 Finance Act, deferred tax crystallising after 1 April 2008 has been recognised at a rate of 28% as opposed to the existing rate of 30%. The effect of this change is to release a credit of £44,000 to the profit and loss account in this year.

	2007	2006
	£'000	£'000
<hr/>		
Analysis of charge in year		
Current tax		
UK corporation tax on profits of the year	455	468
Prior year adjustment in respect of eligibility of costs to tax relief and consequential reduction of tax liability	(315)	-
Total current tax	140	468
<hr/>		
Deferred tax		
Origination and reversal of timing differences	(93)	(71)
Impact of rate change	(44)	-
Total deferred tax (note 7)	(137)	(71)
Tax on profit on ordinary activities	3	397
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ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

5 Tax on profit on ordinary activities (continued)

The tax assessed for the year is lower (2006 higher) than the standard rate of corporation tax in the UK (30%)
The differences are explained below

	2007	2006
	£'000	£'000
Factors affecting tax charge for the year		
Profit on ordinary activities before tax	1,047	959
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	314	288
Effects of remuneration of contract debtor less capital allowances and imputed interest for the year	141	180
Adjustments in respect of previous years	(315)	-
Current tax charge for the year	140	468

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 2007 (continued)

6 Debtors

	2007	2006
	£'000	£'000
Amounts falling due within one year		
Prepayments and accrued income	1,147	1,115
Contract debtor	979	894
	2,126	2,009
Amounts falling due after more than one year		
Contract debtor	5,427	6,407

7 Creditors

	2007	2006
	£'000	£'000
Amounts falling due within one year		
Bank borrowings	1,065	1,029
Less unamortised issue costs	(14)	(14)
Trade creditors	1,069	1,046
Corporation tax	329	520
Other tax	160	107
Accruals and deferred income	200	199
	2,809	2,887
Amounts falling due after more than one year		
Bank borrowings	2,711	3,776
Less unamortised issue costs	(32)	(46)
	2,679	3,730

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. As at 31 December 2007, £3,776,000 (2006 £4,805,000) remains outstanding. The company has an additional working capital facility of £300,000 (2006 £300,000) at 31 December 2007, £nil (2006 £nil) was utilised.

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

7 Creditors (continued)

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 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 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.

Maturity of debt

	2007	2006
	£'000	£'000
In one year or less	1,051	1,015
In more than one year, but not more than two years	1,130	1,051
In more than two years, but not more than five years	1,549	2,679
	3,730	4,745

8 Provisions for liabilities and charges

	2007	2006
	£'000	£'000
Provision for deferred tax		
Accelerated capital allowances and accelerated finance costs	638	775
Total provision for deferred tax	638	775
Provision at 1 January	775	846
Deferred tax charge in profit and loss account for the year (note 4)	(137)	(71)
Provision at 31 December	638	775

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

9 Called up share capital

	2007	2006
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

10 Dividends

	2007	2006
	£'000	£'000
Dividends paid	553	-

11 Profit and loss account

	£'000
At 1 January 2007	4,042
Profit for the financial year	1,043
Dividends paid	(553)
At 31 December 2007	4,532

12 Obligations under leases

The company has entered into an operating lease and has an annual commitment under leases for land and buildings of £1 (2006 £1) expiring after five years

ECD (Cookham Wood) Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

13 Reconciliation of movements in net debt

	At 1 January 2007	Cash flows	Other non-cash changes	At 31 December 2007
	£'000	£'000	£'000	£'000
Cash at bank and in hand	3,018	87		3,105
Debt due within one year	(1,015)	1,029	(1,065)	(1,051)
Debt due after one year	(3,730)	-	1,051	(2,679)
	(1,727)	1,116	(14)	(625)

Non-cash changes comprise amortisation of debt issue costs

14 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 based on the number of available trainee places at STC Medway. Payments in the year ended 31 December 2007 were £10,091,000 (2006 £9,646,000)

15 Related party disclosures

In addition to contractual commitments set out in note 12 above, Global Solutions Limited and GSL UK Limited, companies related to GSL Joint Ventures Limited, and GSL Joint Ventures Limited provided administrative and technical services to the company during the year at a cost of £169,000 (2006 £161,000) for GSL Joint Ventures Limited and £28,000 (2006 £27,000) for GSL UK Limited

During the year £170,000 (2006 £225,000) was paid to Global Solutions Limited as paying agent to the insurers

At the year end, there was £1,058,000 (2006 £992,000) payable to GSL UK Limited

16 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Education Care and Discipline Limited which is registered in England and Wales. The Company's intermediate parent undertaking is GSL Joint Ventures Limited which is registered in England and Wales. The ultimate parent undertaking and ultimate controlling party as at the year end was Land Securities Group PLC