

ECD (COOKHAM WOOD) LIMITED
(REGISTERED NUMBER 3241233)

DIRECTORS' REPORT AND ACCOUNTS

31 December 1999



ECD (COOKHAM WOOD) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The directors submit their report and the audited accounts of the company for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is engaged under a 16 year contract signed on 3 March 1997 in 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 incurred in the year under review as set out in the profit and loss account on page 4 relates to the activities undertaken in respect of the project.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividend is proposed. 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 1999 and subsequently were:

	Appointed	Resigned
A D Banks		
J A Harrower		
F R Herzberg	18 March 1999	
L J Malmberg		
E McEwan	16 November 1999	
R C Osborne	18 March 1999	16 November 1999
B Pellard		18 March 1999
B J Sharples	18 March 1999	

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.

MILLENNIUM AND EUROPEAN MONETARY UNION

Directors are aware of the implications of the Millennium issue and the European Monetary Union and during the year systems have been upgraded with no significant costs incurred. No disruptions have arisen subsequent to the year end in relation to these issues.

ECD (COOKHAM WOOD) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution proposing their re-appointment will be proposed to the next Annual General Meeting.

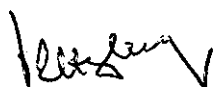
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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;
- 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.

By Order of the Board



F R Herzberg
SECRETARY

19 July 2000

PricewaterhouseCoopers
Temple Court
35 Bull Street
Birmingham B4 6JT
Telephone +44 (0) 121 265 5000
Facsimile +44 (0) 121 265 5050

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

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2 this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom Accounting Standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 mis-statements or material inconsistencies with the financial statements.


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 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 mis-statement, 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 as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

19 July 2000

ECD (COOKHAM WOOD) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>Notes</u>	<u>1999</u> £'000	<u>1998</u> <u>Restated</u> £'000
TURNOVER	1	3,735	2,960
Operating costs		(3,078)	(2,467)
Administrative expenses		<u>(388)</u>	<u>(38)</u>
OPERATING PROFIT	2	269	455
Net interest payable and similar charges	3	(983)	(774)
Interest transferred to contract debtor	3	1,072	735
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION FOR THE FINANCIAL YEAR		<u>358</u>	<u>416</u>
TAXATION	4	(216)	(126)
PROFIT AFTER TAXATION AND RETAINED FOR THE FINANCIAL YEAR	9	<u>142</u>	<u>290</u>

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

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

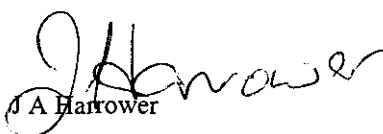
ECD (COOKHAM WOOD) LIMITED

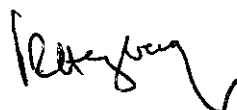
BALANCE SHEET AT 31 DECEMBER 1999

	Notes	1999 £'000	1998 Restated £'000
CURRENT ASSETS			
Debtors (amounts falling due within one year)	5	1,192	1,506
Debtors (amounts falling due in more than one year)	5	11,148	11,620
Cash at bank and in hand		<u>1,620</u>	<u>1,219</u>
		13,960	14,345
CREDITORS (amounts falling due within one year)	6	<u>(1,685)</u>	<u>(1,620)</u>
NET CURRENT ASSETS		12,275	12,725
CREDITORS (amounts falling due in more than one year)	6	<u>(11,843)</u>	<u>(12,435)</u>
		432	(290)
		<u>=====</u>	<u>=====</u>
CAPITAL AND RESERVES			
Equity share capital	8	-	-
Profit and loss account	9	<u>432</u>	<u>290</u>
TOTAL SHAREHOLDERS' FUNDS		432	290
		<u>=====</u>	<u>=====</u>

Approved by the Board on 19 July 2000

DIRECTORS


J A Harrower



F R Herzberg

ECD (COOKHAM WOOD) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1999

There is no difference between the result for the financial year and the total recognised gains and losses relating to the year.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no difference between the result for the financial year as shown in the profit and loss account and its historical equivalent.

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>1999</u> £'000	<u>1998</u> <u>Restated</u> £'000
TOTAL RECOGNISED GAINS RELATING TO THE YEAR	142	290
	—	—
NET ADDITION TO SHAREHOLDERS' FUNDS	142	290
OPENING SHAREHOLDERS' FUNDS	290	-
	—	—
CLOSING SHAREHOLDERS' FUNDS	432	290
	==	==

ECD (COOKHAM WOOD) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999

1 ACCOUNTING POLICIES

(1) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting and financial reporting standards.

(2) Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom.

(3) Deferred taxation

Provision is made under the liability method in respect of those timing differences which are expected to become payable in the foreseeable future.

(4) Leased assets

Payments under operating leases are charged against profits in the year the payments are made.

(5) Contract debtors

The costs incurred in respect of services under the contract during the period prior to the secure training centre becoming available for occupation are remunerated over the remaining contract term.

Accordingly these costs are accumulated within contract debtors as incurred. Availability fees will be allocated between turnover and reimbursement of contract debtors so as to generate a constant rate of return over the life of the contract.

(6) Cash flow statement

At 31 December 1999 the company was a wholly owned subsidiary of Education Care and Discipline Limited which prepared 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 accounts.

ECD (COOKHAM WOOD) LIMITED

1 ACCOUNTING POLICIES (CONTINUED)

(7) Restatement of 1998

The restatement of the accounts is due to a change in interpretation of the accounting policy relating to the contract debtor. Interest and certain operating costs, previously expensed, are now capitalised as part of the contract debtor in accordance with note 1(5).

As a result, comparative figures for the year ended 31 December 1998 have been adjusted as follows :

	Result for <u>the Year</u> £'000	Net <u>Assets</u> £'000
As previously reported	230	(1071)
Effect of interest treatment	290	579
Effect of treatment of operating costs	(104)	908
Taxation arising on taxable profit	<u>(126)</u>	<u>(126)</u>
As restated	290	290
	<u>=====</u>	<u>=====</u>

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.

The audit fee in respect of the company was £5,000 (1998 - £4,000) for the year. The auditors also received remuneration for other services totalling £2,000 (1998 - £nil).

3 INTEREST PAYABLE

	<u>1999</u> £'000	1998 <u>Restated</u> £'000
Interest payable on short term loans	8	9
Interest payable on long term loans	1,051	810
Amortisation of debt issue costs	<u>11</u>	<u>8</u>
	1,070	827
Bank interest receivable	<u>(87)</u>	<u>(53)</u>
Net interest payable	983	774
Interest transferred to contract debtor	<u>(1072)</u>	<u>(735)</u>
	(89)	39
	<u>=====</u>	<u>=====</u>

ECD (COOKHAM WOOD) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

4 TAXATION

	<u>1999</u> £'000	<u>1998</u> <u>Restated</u> £'000
UK Corporation Tax at 30%	-	-
Deferred Tax (note 7)	216	126
	<u>216</u>	<u>126</u>

5 DEBTORS

	<u>1999</u> £'000	<u>1998</u> <u>Restated</u> £'000
Amounts falling due within one year:		
Contract debtor	471	431
Other debtors	<u>721</u>	<u>1,075</u>
	1,192	1,506
Amounts falling due in more than one year:		
Contract debtor	<u>11,148</u>	<u>11,620</u>
	12,430	13,126

6 CREDITORS

	<u>1999</u> £'000	<u>1998</u> <u>Restated</u> £'000
Amounts falling due within one year:		
Trade creditors	677	506
Accruals and deferred income	78	53
VAT	111	77
Bank borrowings	<u>819</u>	<u>984</u>
	1,685	1,620
Amounts falling due in more than one year:		
Bank borrowings	10,642	11,461
Less: issue costs	<u>(141)</u>	<u>(152)</u>
	10,501	11,309
Deferred Tax	342	126
	<u>10,843</u>	<u>11,435</u>
Other loans	<u>1,000</u>	<u>1,000</u>
	11,843	12,435

ECD (COOKHAM WOOD) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

6 CREDITORS (CONTINUED)

Bank borrowings relate to a term loan facility of £11,460,680 (1998 - £12,204,875) granted by ABN Amro Bank N.V. The Company has an additional working capital facility of £300,000 of which £ nil (1998 - £240,000) is being utilised at 31 December 1999. Loan issue costs have been offset against bank borrowings and are being amortised over the period 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 26 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 of 7.785% applied to draws of £11,481,000 (1998 - £12,213,000) 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 loan balance of £1,000,000 relates to funds advanced by Education Care and Discipline Limited. Education Care and Discipline Limited has in turn received corresponding loans from its shareholders in proportion to their shareholdings.

7 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax provided in the accounts and the full potential liability at 30% are as follows:

	<u>Provision</u>		<u>Full Potential</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
		<u>Restated</u>		<u>Restated</u>
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	-	-	-	-
Other timing differences	<u>342</u>	<u>126</u>	<u>342</u>	<u>126</u>
	342	126	342	126
	==	==	==	==
Movement in the provision were as follows:				
At beginning of the year				126
Transfer from profit and loss				<u>216</u>
At end of year				342
				==

ECD (COOKHAM WOOD) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

8 SHARE CAPITAL

	<u>1999</u>	<u>1998</u>
Authorised:		
Ordinary shares of £1 each	£100	£100
	<u>=====</u>	<u>=====</u>
Allotted and issued:		
Ordinary shares of £1 each	£100	£100
	<u>=====</u>	<u>=====</u>

9 PROFIT AND LOSS ACCOUNT

	£'000
At 31 December 1998 (Restated)	290
Profit in the financial year	<u>142</u>
At 31 December 1999	<u>432</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 expiring after five years.

11 COMMITMENTS

An operating agreement with Rebound ECD Limited was signed by the company on 3 March 1997. The company is committed to pay fixed and variable fees to Rebound ECD Limited based on the number of available trainee places. Payments commenced in April 1998 and continue for the contract term. Payments in the year ended 31 December 1999 were £3,078,000 (1998 - £2,305,000).

12 RELATED PARTY DISCLOSURES

In addition to contract commitments set out in note 11 above, Group 4 Prison Services Limited, a company related to ECD (Cookham Wood) Limited, provided administrative and technical services to the company during the year at a cost of £43,775 (1998- £25,062). Similar services were also provided by Carillion Private Finance Limited at a cost of £25,269 (1998 - £9,245). Rebound ECD Ltd also received £468 (1998 - £ nil) loan interest in respect of a loan made during the year out of outstanding operating fees and other operational services of £192,964 (1998 - £143,441). Carillion Construction Limited supplied other operational services of £22,878 (1998 - £ nil).

ECD (COOKHAM WOOD) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

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. The share capital of Education Care and Discipline Limited is held fifty percent by Carillion Private Finance Limited, with the other fifty percent held by Prison & Court Services Limited. Both shareholders are companies incorporated in the United Kingdom.