

Education Care and Discipline Limited
Annual Report
for the year ended 31 December 2006

Registered number 3241234



Education Care and Discipline Limited

Annual report for the year ended 31 December 2006

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Education Care and Discipline Limited

Directors' report for the year ended 31 December 2006

The directors submit their report and the audited financial statements of the company for the year ended 31 December 2006

Principal activities and business review

The principal activity of the company is a holding company with a single subsidiary, ECD (Cookham Wood) Limited

ECD (Cookham Wood) Limited 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 result for the year under review is set out in the profit and loss account on page 5

Future development and performance

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

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

Education Care and Discipline Limited

Directors' report for the year ended 31 December 2006 (continued)

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.

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 £nil (2005: £750,000) have been paid during the year. No final dividend is proposed (2005: £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 2006, and subsequently, were

A D Banks	
P R Cook	(appointed 1 October 2006)
B W Dalglish	(appointed 27 February 2007)
C Elliott	
G Farley	(resigned 19 September 2006)
F R Herzberg	(resigned 19 September 2006)
P McCulloch	(appointed 19 September, resigned 18 December 2006)
R W Robinson	(resigned 19 September 2006)
M W Taylor	(resigned 29 September 2006)
B S Williams	(appointed 19 September 2006)

Directors' interests in shares

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

Education Care and Discipline Limited

Directors' report for the year ended 31 December 2006 (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 year.

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.

Auditors and disclosure of information to auditors

- 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



SMIF Secretariat Services Limited
Secretary

06 JUL 2007

Independent auditors' report to the members of Education Care and Discipline Limited

We have audited the financial statements of Education Care and Discipline Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement in Equity Shareholder's Funds 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 2006 and of its profit 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

15 July 2007

Education Care and Discipline Limited

Profit and loss account for the year ended 31 December 2006

	Notes	2006	2005
		£	£
Income from fixed asset investment		-	750,000
Operating Profit	2	-	750,000
Profit for the financial year		-	750,000
Dividends	5	-	(750,000)
Profit for the financial year	6	-	-

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 6 to the financial statements

Education Care and Discipline Limited

Balance sheet as at 31 December 2006

	Notes	2006	2005
		£	£
Fixed assets			
Investments	3	100	100
Net assets		100	100
Capital and reserves			
Called up share capital	4	100	100
Profit and loss account	6	-	-
Total equity shareholder's funds		100	100

The financial statements on pages 5 to 10 were approved by the Board and were signed on its behalf by



Director

BRUCE DALGLEISH

6 JULY 2007

Education Care and Discipline Limited

Reconciliation of movement in equity shareholder's funds for the year ended 31 December 2006

	2006	2005
	£	£
Profit for the financial year	-	750,000
Equity dividends (note 5)	-	(750,000)
Net addition to equity shareholder's funds	-	-
Equity shareholder's funds as at 1 January	100	100
Equity shareholder's funds as at 31 December	100	100

Education Care and Discipline Limited

Notes to the financial statements for the year ended 31 December 2006

1 Accounting policies

A summary of the company's principal accounting policies 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 standards

As at 31 December 2006, the immediate parent undertaking was GSL Joint Ventures Limited and the ultimate parent undertaking and ultimate controlling party was SMIF Investments Luxembourg Sàrl (formerly Starsmif Investments Luxembourg Sàrl, a company incorporated in Luxembourg

The largest and smallest group to consolidate these financial statements is SMIF Investments Luxembourg Sarl

The Company is not required to prepare consolidated financial statements as its results are included in the consolidated financial statements of SMIF Investments Luxembourg Sàrl, as permitted by Section 228 (1) of The Companies Act 1985

Consolidated financial statements for SMIF Investments Luxembourg Sàrl can be obtained from the company secretary at the registered office, 7 Val Ste Croix L-1371 Luxembourg

Investments

Investments in subsidiary undertakings are stated at cost, less an appropriate provision to reflect any impairment in the value of the investments

Dividend Policy

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

Cash flow statement

At 31 December 2006, the company was a wholly-owned subsidiary of SMIF Investments Luxembourg Sàrl In accordance with Financial Reporting Standard 1 (revised), no cash flow statement is included in these financial statements

2 Operating profit

The company had no employees during the year The directors have no contract of service with the company No remuneration was paid to the directors in respect of their services to the group (2005 £nil)

The audit fee in respect of the company was £2,500 (2005 £2,000) All of these costs have been borne by the subsidiary

Education Care and Discipline Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

3 Investments

The company owns 100% of the issued share capital of £100 of ECD (Cookham Wood) Limited, which is registered in the United Kingdom and is engaged under a long term contract for the provision of design, construction and management services, including related financing arrangements, for a secure training centre. The cost of this investment is £100 (2005 £100). In the opinion of the directors the aggregate value of the investment in its subsidiary is not less than the carrying value in these financial statements.

4 Called up share capital

	2006	2005
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

5 Equity dividends

	2006	2005
	£	£
Dividends paid	-	750,000

6 Profit and loss account

	£
At 1 January 2006	-
Profit for the financial year	-
Dividends paid	-
At 31 December 2006	-

The profit of the company for the year was £nil (2005 £750,000), which was also the total of the recognised gains and losses for the year.

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Notes to the financial statements for the year ended 31 December 2006 (continued)

7 Ultimate parent undertakings

Fifty percent of the share capital of Education Care and Discipline Limited was held by Carillion Private Finance Limited and fifty percent of the share capital was held by GSL Joint Ventures Limited. Carillion Private Finance Limited had a change of name on 15 June 2006 to Carillion Private Finance (Secure) Limited. Subsequently Carillion Private Finance (Secure) Limited sold its shares to GSL Joint Ventures Limited on 19 September 2006. All shareholders are companies incorporated in England and Wales.

As at 31 December 2006, the ultimate parent undertaking and controlling party was SMIF Investments Luxembourg Sàrl (formerly Starsmif Investments Luxembourg Sàrl), a company incorporated in Luxembourg which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Consolidated financial statements for SMIF Investments Luxembourg Sàrl can be obtained from the company secretary at the registered office, 7 Val Ste Croix L-1371 Luxembourg.

On 2 February 2007, the ultimate controlling party became Land Securities Group Plc.