

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 29, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934.

For the transition period from to

COMMISSION FILE NUMBER 1-14260

WACKENHUT CORRECTIONS CORPORATION

(Exact name of registrant as specified in its charter)

Florida

65-0043078

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

4200 Wackenhut Drive #100, Palm Beach Gardens, Florida

33410-4243

(Address of principal executive offices)

(Zip code)

(561) 622-5656

(Registrant's telephone number, including area code)

Not Applicable

FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR,
IF CHANGED SINCE LAST REPORT.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

At April 22, 1998, 22,230,497 shares of the registrant's Common Stock were issued and outstanding.

WACKENHUT CORRECTIONS CORPORATION

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following consolidated financial statements of Wackenhut Corrections Corporation, a Florida corporation (the "Company") have been prepared in accordance with the instructions to Form 10-Q and therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with generally accepted accounting principles. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial information for the interim periods reported have been made. Results of operations for the thirteen weeks ended March 29, 1998 are not necessarily indicative of the results for the entire fiscal year ending January 3, 1999.

WACKENHUT CORRECTIONS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THIRTEEN WEEKS ENDED
MARCH 29, 1998 AND MARCH 30, 1997
(IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)

	THIRTEEN WEEKS ENDED	
	MARCH 29, 1998	MARCH 30, 1997
Revenues	\$71,269	\$41,227
Operating expenses (including amounts related to Parent of \$1,989 and \$1,565)	59,258	34,400
Depreciation and amortization	2,667	1,148
Contribution from operations	9,344	5,679
G&A expense (including amounts related to The Wackenhut Corp. of \$542 and \$385)	3,788	2,407
Operating income	5,556	3,272
Interest income (including interest (expense) income related to The Wackenhut Corp. of \$35 and (\$50))	245	532
Income before income taxes and equity income of affiliates	5,801	3,804
Provision for income taxes	2,368	1,469
Income before equity income of affiliates	3,433	2,335
Equity income of affiliates, net of income tax provision of \$172 and \$154	264	246
Net income	\$ 3,697 =====	\$ 2,581 =====
Basic earnings per share	\$ 0.17 =====	\$ 0.12 =====
Diluted earnings per share	\$ 0.16 =====	\$ 0.11 =====
Basic weighted average shares outstanding	22,185 =====	21,945 =====
Diluted weighted average shares outstanding	22,816 =====	22,600 =====

The accompanying notes to consolidated financial statements are an integral part of these statements.

WACKENHUT CORRECTIONS CORPORATION
 CONSOLIDATED BALANCE SHEETS
 MARCH 29, 1998 AND DECEMBER 28, 1997
 (IN THOUSANDS EXCEPT SHARE DATA)

	March 29, 1998 ----- (UNAUDITED)	December 28, 1997 -----
ASSETS		
Current Assets:		
Cash	\$ 22,543	\$ 28,960
Accounts receivable	48,103	36,755
Other	13,566	9,457
	-----	-----
Total current assets	84,212	75,172
Property and equipment, net	39,150	38,754
Investments in and advances to affiliates	7,505	7,325
Deferred charges, net	12,118	14,218
Unamortized cost in excess of net assets of acquired companies, net	2,316	2,359
Other	2,501	1,375
	-----	-----
	\$ 147,802	\$ 139,203
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 5,550	\$ 6,160
Accrued payroll and related taxes	7,251	8,316
Accrued expenses	14,557	11,717
Deferred tax liability, net	891	391
Current portion of long-term debt	12	12
	-----	-----
Total current liabilities	28,261	26,596
	-----	-----
Deferred income taxes, net	10,093	10,099
	-----	-----
Long-term debt	210	213
	-----	-----
Shareholders' equity:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized	--	--
Common stock, \$.01 par value, 30,000,000 shares authorized, 22,223,297 and 22,168,542 shares issued and outstanding	222	222
Additional paid-in capital	80,908	78,006
Retained earnings	29,920	26,223
Cumulative translation adjustment	(1,812)	(2,156)
	-----	-----
Total shareholders' equity	109,238	102,295
	=====	=====
	\$ 147,802	\$ 139,203
	=====	=====

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

WACKENHUT CORRECTIONS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRTEEN WEEKS ENDED
MARCH 29, 1998 AND MARCH 30, 1997
(IN THOUSANDS)
(UNAUDITED)

	THIRTEEN WEEKS ENDED	
	MARCH 29, 1998	MARCH 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,697	\$ 2,581
Adjustments to reconcile net income to net cash (used in) provided by operating activities--		
Depreciation and amortization expense	2,667	1,148
Equity income of affiliates	(436)	(400)
Changes in assets and liabilities --		
(Increase) decrease in assets:		
Accounts receivable	(10,740)	(3,321)
Deferred income tax, asset	--	307
Other current assets	(1,841)	(3,922)
Other assets	(1,077)	(4,284)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,120	457
Accrued payroll and related taxes	(1,100)	(561)
Deferred income taxes, net	2,364	1,291
NET CASH USED IN OPERATING ACTIVITIES	(4,346)	(6,704)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in affiliates	(222)	(788)
Capital expenditures	(1,346)	(2,557)
Deferred charge expenditures	(1,674)	(3,336)
NET CASH USED IN INVESTING ACTIVITIES	(3,242)	(6,681)

(Continued)

The accompanying notes to consolidated financial statements are an integral part of these statements.

WACKENHUT CORRECTIONS CORPORATION
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE THIRTEEN WEEKS ENDED
 MARCH 29, 1998 AND MARCH 30, 1997
 (IN THOUSANDS)
 (UNAUDITED)
 (Continued)

	THIRTEEN WEEKS ENDED	
	MARCH 29, 1998	MARCH 30, 1997
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	\$ 1,031	\$ 136
Retirement of debt	(3)	(2)
Advances from The Wackenhut Corporation	14,425	15,725
Repayments to The Wackenhut Corporation	(14,425)	(15,725)
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,028	134
	-----	-----
Effect of exchange rate changes on cash	143	(13)
Net decrease in cash	(6,417)	(13,264)
Cash, beginning of period	28,960	44,368
	-----	-----
CASH, END OF PERIOD	\$ 22,543	\$ 31,104
	-----	-----
SUPPLEMENTAL DISCLOSURES:		
Impact on equity from tax benefit related to the exercise of options issued under the company's non- qualified stock option plan	\$ 1,871	\$ --
	-----	-----

The accompanying notes to consolidated financial statements are an integral part of these statements.

WACKENHUT CORRECTIONS CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed for the quarterly financial reporting are the same as those disclosed in Note 2 of the Notes To Consolidated Financial Statements included in the Corporation's Form 10-K filed with the Securities and Exchange Commission on March 28, 1997 for the fiscal years ended December 28, 1997, December 29, 1996, and December 31, 1995 except as noted below in footnote 3. Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

2. DOMESTIC AND INTERNATIONAL OPERATIONS

A summary of domestic and international operations is presented below:

	THIRTEEN WEEKS ENDED	
	MARCH 29, 1998	MARCH 30, 1997
----- (in thousands) -----		
REVENUES		
Domestic operations	\$58,841	\$33,596
International operations	12,428	7,631
	=====	=====
Total revenues	\$71,269	\$41,227
	=====	=====
OPERATING INCOME		
Domestic operations	\$ 4,571	\$ 2,232
International operations	985	1,040
	-----	-----
Total operating income	\$ 5,556	\$ 3,272
	=====	=====
IDENTIFIABLE ASSETS		
	MARCH 29, 1998	DECEMBER 28, 1997
----- (in thousands) -----		
Domestic operations	\$124,893	\$120,538
International operations	22,909	18,665
	=====	=====
Total identifiable assets	\$147,802	\$139,203
	=====	=====

3. DEFERRED CHARGES

Through December 28, 1997, the Company capitalized and amortized facility start-up costs, consisting of costs of initial employee training, travel and other direct expenses incurred in connection with the opening of new facilities, on a straight-line basis over the lesser of the original contract term plus renewals or five years. Effective December 29, 1997, the Company modified this policy to amortize facility start-up costs over the lesser of the initial contract term or five years. Had this policy been followed in prior periods, the impact would have been immaterial.

In April 1998, the Financial Accounting Standards Board issued Statement of Position 98-5 ("SOP 98-5") on Accounting for Costs of Start-up Activities. SOP 98-5 requires the expensing of start-up costs, defined as pre-opening, pre-operating and pre-contract type costs, as incurred and is effective for fiscal years beginning after December 15, 1998. If adopted by the Company in fiscal 1998, the Company

WACKENHUT CORRECTIONS CORPORATION

anticipates a pre-tax write-off of existing unamortized start-up costs of approximately \$18.2 million (or \$10.9 million after-tax) to record the cumulative effect of the change in accounting principle.

4. COMPREHENSIVE INCOME

The Company adopted Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income", effective December 29, 1998. SFAS 130 establishes standards for reporting and display of comprehensive income and its components in financial statements. The components of the Company's comprehensive income are as follows (dollars in thousands):

Thirteen Weeks Ended

	March 29, 1998 -----	March 30, 1997 -----
Net Income	\$ 3,697	\$ 2,581
Foreign currency translation adjustments, net of income tax (expense)/benefit of (\$237) and \$46, respectively	344	(73)
	-----	-----
Comprehensive income	\$ 3,901 =====	\$ 2,508 =====

5. SALE OF FACILITIES TO CORRECTIONAL PROPERTIES TRUST

On April 28, 1998, Correctional Properties Trust ("CPV"), a Maryland real estate investment trust, sold 6.2 million shares of common stock at \$20.00 per share in an initial public offering. Approximately \$113.0 million of the net proceeds of the offering were used to acquire eight correctional and detention facilities operated by the Company. The Company received approximately \$42 million for the three facilities owned by it and for its right to acquire four of the other five facilities and realized a profit on the sale of approximately \$18 million which will be amortized over the ten-year lease term. The eighth facility was purchased directly from the government entity. Subsequent to the purchase, CPV is leasing these eight facilities to the Company. CPV was also granted the option to acquire three additional correctional facilities currently under development by the Company and the fifteen-year right to acquire and lease back future correctional and detention facilities developed or acquired by the Company.

6. EARNINGS PER SHARE

The following table shows the amounts used in computing earnings per share in accordance with Statement of Financial Accounting Standards No. 128 and the effects on income and the weighted average number of shares of potential dilutive common stock (in thousands, except share data).

	Thirteen Weeks Ended			
	March 29, 1998		March 30, 1997	
	Income	Shares	Income	Shares
	-----	-----	-----	-----
Net Income	\$ 3,697		\$ 2,581	
Basic EPS:				
Income available to common shareholders	\$ 3,697	22,185	\$ 2,581	21,945
Per share amount	\$ 0.17			\$ 0.12
Effect of Dilutive Securites:	\$ 0.01	631	\$ 0.01	655
Diluted EPS:				
Income available to common shareholders	\$ 3,697	22,816	\$ 2,581	22,600
Per share amount	\$ 0.16			\$ 0.11

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Reference is made to Item 7, Part II of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 28, 1997, filed with the Securities and Exchange Commission on February 20, 1998, for further discussion and analysis of information pertaining to the Corporation's results of operations, liquidity and capital resources.

On April 28, 1998, the Company sold three facilities and its right to acquire four additional facilities to Correctional Properties Trust for approximately \$42 million, resulting in a net profit of approximately \$18 million which will be amortized over the ten-year lease term. In connection with the sale, the Company entered into a ten-year lease with CPV for eight correctional and detention facilities currently operated by the Company.

FORWARD-LOOKING STATEMENTS: The management's discussion and analysis of financial condition and results of operations and the April 23, 1998 press release contain forward-looking statements that are based on current expectations, estimates and projections about the segments in which the Company operates. This section of the quarterly report also includes management's beliefs and assumptions made by management. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Future Factors") which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Future Factors include increasing price and product/service competition by foreign and domestic competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost effective basis; the mix of products/services; the achievement of lower costs and expenses; domestic and foreign governmental and public policy changes including environmental regulations; protection and validity of patent and other intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in increasing use of large, multi-year contracts; the outcome of pending and future litigation and governmental proceedings and continued availability of financing; financial instruments and financial resources in the amounts, at the times and on the terms required to support the Company's future business. These are representative of the Future Factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general domestic and international economic conditions including interest rate and currency rate fluctuations and other future factors.

RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto.

FIRST QUARTER 1998 COMPARED TO FIRST QUARTER 1997:

Revenues increased by 72.9% to \$71.3 million in the thirteen weeks ended March 29, 1998 ("First Quarter 1998") from \$41.2 million in the thirteen weeks ended March 30, 1997 ("First Quarter 1997"). Approximately \$29.8 million of the increase in revenues in First Quarter 1998 compared to First Quarter 1997 is attributable to increased compensated resident days resulting from the opening of thirteen facilities in 1997 (South Bay Correctional Facility, South Bay, Florida in February 1997; Travis County Community Justice Center, Travis County, Texas in March 1997; Bayamon Regional Detention Center, Bayamon, Puerto Rico in March 1997; Queens Private Correctional Facility, Queens, New York in March 1997; Fulham Correctional Center, Victoria, Australia in March 1997; Villawood Detention Center, Sydney, Australia in October 1997; Taft Correctional Institution, Taft, California in December 1997; Maribyrnong Detention Center, Melbourne, Australia in December 1997; Perth Detention Centre, Perth, Australia in December 1997; Port Hedland Detention Centre, Port Hedland, Australia in December 1997; Central Valley Community Correctional Facility, McFarland, California in December 1997; Desert View Community Correctional Facility, Adelanto, California in December 1997; and Golden State Community Correctional Facility, McFarland, California in December 1997), and with the opening of four facilities in the First Quarter 1998: (Ronald "Opie" McPherson Correctional Facility, Newport, Arkansas in January 1997; Scott Grimes Correctional Facility, Newport, Arkansas in January 1997; Karnes County Correctional Center, Karnes City, Texas, in January 1997; and Broward Work Release Center, Broward County, Florida in February 1998). The balance of the increase in revenues was attributable to facilities open during all of both periods.

The number of compensated resident days in domestic facilities increased to 1,540,572 in First Quarter 1998 from 963,788 in First Quarter 1997. Compensated resident days in Australian facilities increased to 227,284 from 107,198 for the comparable periods. The average facility occupancy in domestic facilities was 95.6% of capacity in First Quarter 1998 compared to 97.6% in First Quarter 1997. This slight decrease was due primarily to the ramp-up of four new facilities during First Quarter 1998.

Operating expenses increased by 72.3% to \$59.3 million in First Quarter 1998 compared to \$34.4 million in First Quarter 1997. This increase primarily reflected the seventeen facilities that were opened in 1997 and 1998, as described above.

Depreciation and amortization increased by 132.3% to \$2.7 million in First Quarter 1998 from \$1.1 million in First Quarter 1997. This increase is primarily attributable to an increase in deferred charge amortization for the thirteen facilities opened in 1997.

Contribution from operations increased 64.5% to \$9.3 million in First Quarter 1998 from \$5.7 million in First Quarter 1997. As discussed above, this increase is attributable to fourteen new facilities that opened in 1997 and 1998. As a percentage of revenue, contribution from operations decreased to 13.1% in First Quarter 1998 from 13.8% in First Quarter 1997. This decrease is primarily due to the increase in deferred charge amortization discussed above.

General and administrative expenses increased by 57.4% to \$3.8 million in First Quarter 1998 from \$2.4 million in First Quarter 1997. This increase reflects costs related to additional infrastructure and continued growth in the Company's business development efforts. As a percentage of revenue, general and administrative expenses decreased to 5.3% in the First Quarter 1998 from 5.8% in the First Quarter 1997.

Operating income increased by 69.8% to \$5.6 million in First Quarter 1998 from \$3.3 million in First Quarter 1997. As a percentage of revenue operating income decreased slightly to 7.8% in First Quarter 1998 from 7.9% in First Quarter 1997 due to the increase in deferred charge amortization, offset by the continued leveraging of overheads.

Interest income decreased 54% to \$245,000 in First Quarter 1998 from \$532,000 in First Quarter 1997. This decrease corresponds directly to a reduction in average invested cash.

Income before taxes and equity income of affiliates increased by 52.5% to \$5.8 million in First Quarter 1998 from \$3.8 million in First Quarter 1997 due to the factors described above.

Provision for income taxes increased to \$2.4 million in First Quarter 1998 from \$1.5 million in First Quarter 1997 due to higher taxable income and an estimated increase in the Company's effective tax rate.

Equity income of affiliates increased 7% to \$264,000 in First Quarter 1998 from \$246,000 in First Quarter 1997. Current and prior year performance reflects the activities of the Company's United Kingdom joint ventures and results from two expansions at the H.M. Prison Doncaster (Doncaster, England) in 1997, income earned from two court escort contracts that commenced operations in May 1996 and the opening of H.M. Prison Lowdham Grange (Nottinghamshire, England) in February 1998.

Net income increased by 43.2% to \$3.7 million in First Quarter 1998 from \$2.6 million in First Quarter 1997 as a result of the factors described above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

WACKENHUT CORRECTIONS CORPORATION

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The nature of the Corporation's business results in claims or litigation against the Corporation for damages arising from the conduct of its employees or others.

Except for routine litigation incidental to the business of the Corporation, there are no pending material legal proceedings to which the Corporation or any of its subsidiaries is a party or to which any of their property is subject. The Corporation believes that the outcome of the proceedings to which it is currently a party will not have a material adverse effect upon its operations or financial condition.

ITEM 2. CHANGES IN SECURITIES

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

The Company filed Amendments No. 4 to Form S-3, Registration Statement under the Securities Act of 1933 on April 22, 1998 in connection with the public offering of Correctional Properties Trust, a Maryland real estate investment trust. The original Form S-3 filing and subsequent amendments are hereby incorporated by reference into this Quarterly Report on Form 10-Q.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits - 27 Financial Data Schedule (for SEC use only).
- (b) Reports on Form 8-K - The Corporation did not file a Form 8-K during the first quarter of the fiscal year ending January 3, 1999.

WACKENHUT CORRECTIONS CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WACKENHUT CORRECTIONS CORPORATION

May 12, 1998

/s/ John G. O'Rourke

John G. O'Rourke
Senior Vice President - Finance,
Chief Financial Officer and Treasurer
(Principal Financial Officer)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT MARCH 29, 1998 AND THE CONSOLIDATED STATEMENT OF INCOME FOR THE FISCAL PERIOD ENDING MARCH 29, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS	JAN-03-1999	DEC-29-1997	MAR-29-1998
			22,543
			0
		48,103	0
			0
		84,212	44,749
		5,599	
		147,802	
	28,262		222
	0		0
			222
		109,238	
147,802			0
	71,269		0
		61,925	
		0	
		0	
		5,802	
		2,368	
	3,697		
		0	
		0	
			0
		3,697	
		.17	
		.16	