

2878845

THE GEO GROUP (UK) Limited

Report and Financial Statements

31 December 2003



The GEO Group (UK) Limited

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 2003.

Results and dividends

The profit for the year, after taxation and dividends, amounted to £29,080,044 (2002: £1,127,495). The directors paid dividends of £3,693,893 during the year (2002: £Nil). On the 13 December 2003, the company changed its name from Wackenhut Corrections (UK) Limited to The GEO Group (UK) Limited.

Principal activities and review of the business

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

The company held a 50% joint interest in Premier Custodial Group Limited until 2 July 2003 when the Company sold its 50% interest to Serco Investments Limited for cash proceeds of £48,501,594 and a gain on sale of £35,970,594.

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.

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

Future Developments

The Company plans to grow organically by competing successfully for the design, construction, management and finance of correctional and detention facilities in the United Kingdom. Subsequent to the year end of 2003, the Company established an office in Reading and hired a managing director and a finance director to lead this growth effort.

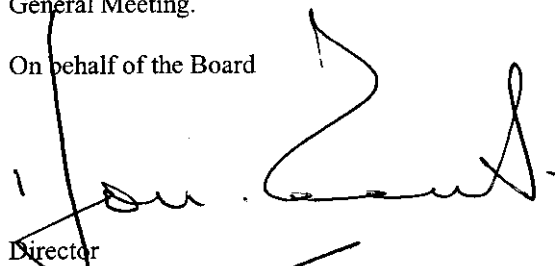
Directors and their interests

The directors held no interests in the company or the group at any time during the financial year.

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 JAN 2005

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;
- 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 The GEO Group (UK) Limited

We have audited the company's financial statements for the year ended 31 December 2003, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. 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.

Independent auditors' report

to the members of The GEO Group (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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

G. L. 7-7 LLP

Registered Auditor
Southampton

28 JAN 2005

Profit and loss account

for the year ended 31 December 2003

	Note	2003 £	2002 £
Administrative expenses		(932,650)	(148,248)
Foreign currency translation	2	(3,037,762)	-
Operating loss	3	(3,970,412)	(148,248)
Profit on disposal of Joint Venture	4	35,970,594	-
		32,000,182	(148,248)
Income from investments	9	-	1,057,000
Net interest receivable	5	679,626	354,674
Profit on ordinary activities before taxation		32,679,808	1,263,426
Tax on profit on ordinary activities	7	94,131	(135,931)
Profit on ordinary activities after taxation	15	32,773,939	1,127,495
Dividends paid	15/8	(3,693,893)	-
Retained profit for the year		29,080,046	-

Statement of total recognised gains and losses

for the year ended 31 December 2003

	Note	2003 £	2002 £
Profit for the financial year		29,080,046	1,127,495
Unrealised gain on revaluation of investments	15	-	1,863,000
Total recognised gains relating to the year		29,080,046	2,990,495

Balance sheet

at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed Assets					
Investments	9		-		12,476,000
Current assets					
Debtors:					
amounts falling due after one year		2,922,114		2,964,031	
amounts falling due within one year		<u>456,729</u>		<u>174,848</u>	
	10		3,378,843		3,138,879
Cash at bank and in hand			<u>43,213,445</u>		<u>3,675,628</u>
			46,592,288		6,814,507
Creditors: amounts falling due within one year	11		<u>(24,910)</u>		<u>(664,541)</u>
Net current assets			<u>46,567,378</u>		<u>6,149,966</u>
Total assets less current liabilities			46,567,378		18,625,966
Creditors: amounts falling due after more than one year	12		<u>-</u>		<u>(1,138,634)</u>
Net assets			<u>46,567,378</u>		<u>17,487,332</u>
Capital and reserves					
Called-up share capital	14		125,002		125,002
Profit and loss account	15		46,442,376		5,586,330
Revaluation reserve	15		<u>-</u>		<u>11,776,000</u>
Equity shareholders' funds			<u>46,567,378</u>		<u>17,487,332</u>

Signed by order of the Board

Director

28 JAN 2005

Notes to the financial statements

at 31 December 2003

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.

Joint venture interests in unincorporated entities

The company owned a 50% interest in one unincorporated entity, Premier Custodial Development. The Company sold that interest on July 2, 2003.

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 17, the results of the company are included in the consolidated accounts of The GEO Group Inc. 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 Financial Reporting Standard 1 (Revised 1996) and have not presented a cash flow statement for the company.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Notes to the financial statements

at 31 December 2003

2. Foreign currency translation

As a result of the sale of its share of the joint venture, cash holdings increased significantly. During the year, the proceeds were invested in foreign currency bank accounts. Due to subsequent foreign exchange movements, a significant foreign exchange loss has arisen.

3. Operating loss

Operating loss is stated after charging (crediting):

	2003 £	2002 £
Auditors' remuneration		
- audit services	435,937	57,508
- non-audit services	29,950	20,000
Former auditors' remuneration:		
- audit services	-	-
- non-audit services	-	35,380

4. Profit on disposal of joint venture

The company held a 50% joint interest in Premier Custodial Group Limited until 2 July 2003 when the Company sold its 50% interest to Serco Investments Limited for cash proceeds of £48,501,594 and a gain on sale of £35,970,594.

5. Net interest receivable

	2003 £	2002 £
Interest receivable on loans made to subsidiaries of Premier Custodial Group Limited	413,583	415,147
Bank interest receivable	417,664	91,156
Total interest receivable	831,247	506,303
Interest payable on loans received from The GEO Group Inc.	(151,621)	(151,629)
Net interest receivable	679,626	354,674

6. Staff costs and directors' emoluments

The company employs no staff.

Directors' emoluments have been borne by the parent company, The GEO Group Inc. The directors of the company are also directors or officers of a number of companies within The GEO Group, Inc. The directors' 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.

Notes to the financial statements

at 31 December 2003

7. Tax on profit on ordinary activities

a) Analysis of charge in the period

	2003	2002
	£	£
UK corporation tax		
UK corporation tax on profits of the period		(135,931)
Adjustment in respect of previous periods	94,131	-
Tax on profit on ordinary activities	<u>94,131</u>	<u>(135,931)</u>

b) Factors affecting charge for the period.

	2003	2002
	£	£
Profit on ordinary activities before tax	32,724,019	1,263,426
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%, (2002: 30%)	9,817,206	379,028
Non taxable income	(10,524,647)	(317,100)
Unrelieved tax losses carried forward	582,433	-
Difference in tax rates on losses carried back	79,522	-
Other	-	22,514
Other timing differences	45,486	51,488
Current charge for the year	<u>(94,131)</u>	<u>135,931</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:

	2003	2002
	£	£
Other timing differences	-	(114,012)

8. Dividends

	2003	2002
	£	£
Equity dividends on ordinary shares:		
interim paid 2955p (2000 – NILp)	3,693,893	-

Notes to the financial statements

at 31 December 2003

9. Fixed assets investments

	2003 £	2002 £
Joint ventures	-	12,476,000
<i>Joint ventures</i>		<i>Premier Custodial Group Limited £</i>
Valuation		
At beginning of the year		12,476,000
Sold during the year		(12,476,000)
At the end of the year		-

On July 2, 2003, the company sold all of its interest in Premier Custodial Group Limited and Premier Custodial Development.

The company had the following interests in joint ventures:

	2003 <i>Premier Custodial Group Limited</i> £	2002 <i>Premier Custodial Group Limited</i> £
Turnover	-	63,724,000
Profit on ordinary activities before taxation	-	4,990,000
Taxation	-	(2,070,000)
Profit on ordinary activities after taxation	-	2,920,000
Dividends	-	(1,057,000)
Retained profit	-	1,863,000
Intangible and fixed assets	-	2,271,500
Current assets	-	123,062,500
Liabilities due within one year	-	(20,913,500)
Liabilities due after more than one year	-	(91,944,500)
Net assets	-	12,476,000

Notes to the financial statements

at 31 December 2003

9. Fixed assets investments (continued)

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.

10. Debtors

	2003 £	2002 £
Loan	2,922,114	2,964,031
Corporation tax	448,014	174,848
VAT	8,715	-
	<u>3,378,843</u>	<u>3,138,879</u>

Amounts falling due after more than one year included above are:

	2003 £	2002 £
Loan	<u>2,922,114</u>	<u>2,964,031</u>

Loans

	£
At beginning of the year	2,964,031
Amounts repaid	(455,000)
Interest incurred	414,083
At the end of the year	<u>2,922,114</u>

	2003 £	2002 £
Repayable as follows:		
- within one year	93,125	131,163
- between one and two years	131,500	111,462
- between two and five years	459,086	351,840
- after five years	2,238,403	2,369,566
	<u>2,922,114</u>	<u>2,964,031</u>

Notes to the financial statements

at 31 December 2003

10. Debtors (continued)

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.

<i>Entity</i>	<i>Bears interest at the rate of</i>	<i>Ultimate repayment date</i>	<i>Balance as at 31 December 2003 £</i>
Lowdham Grange	13% per annum	15 July 2014	387,149
Kilmarnock	13% per annum	15 September 2015	561,190
Pucklechurch	13% per annum	15 July 2016	357,933
Medomsley	13% per annum	12 November 2012	169,321
Moreton	13% per annum	30 June 2018	1,446,521
			<u>2,922,114</u>

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

11. Creditors: amounts falling due within one year

	<i>2003 £</i>	<i>2002 £</i>
Trading amounts owed to parent company	-	215,653
Loans owed to parent company	-	27,740
Accrued expenses	24,910	61,105
Accrued interest	-	360,043
	<u>24,910</u>	<u>664,541</u>

Notes to the financial statements

at 31 December 2003

12. Creditors: amounts falling due after more than one year

	2003 £	2002 £
Loans from The GEO Group Inc.	-	1,138,634

These loans were made on the same terms as the loans made by the company to the subsidiaries of Premier Custodial Group Limited as described in note 10 and therefore bore interest at the same rates and were ultimately repayable on the same dates, although there were some timing differences in the repayment of the two loans. The loans were, however, fully paid off in 2003. The loans to the company were repayable to The GEO Group Inc. as follows:

	2003 £	2002 £
Between one and two years	-	19,311
Between two and five years	-	116,645
After five years	-	1,002,678
	-	1,138,634

13. Provisions for liabilities and charges

There is deferred tax asset of £741,932 (2002: £114,012) arising as a result of short-term timing differences, which has not been recognised.

14. Called-up share capital

	2003 £	2002 £
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	126,000	126,000
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £1 each	125,002	125,002

Notes to the financial statements

at 31 December 2003

15. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 2002	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
Realisation of sale of joint venture	-	(11,776,000)	11,776,000	-
Profit for the year	-	-	32,773,939	32,773,939
Dividend paid	-	-	(3,693,893)	(3,693,893)
At 31 December 2003	125,002	-	46,442,376	46,567,378

16. Related party disclosures

As a subsidiary of The GEO Group Inc., 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 The GEO Group Inc..

There were no other related party transactions to disclose.

17. Ultimate parent undertaking

The smallest and largest group in which the accounts of the company are consolidated is The GEO Group Inc., incorporated in the State of Florida, USA, whose accounts are available to the public at One Park Place, Suite 700, 621 NW 53rd Street, Boca Raton, Florida 33487, United States of America.