The GEO Group (UK) Limited

Financial statements
For the year ended 31 December 2005

Grant Thornton

Company No. 2878845

Officers and professional advisers

Company registration number 2878845

Registered office
100 New Bridge Street
London
EC4 V6J

Directors
W H Calabrese
D H Keens
W Macgowan

Secretary
C A Dobell

Bankers
Barclays Bank plc
PO Box 544
54 Lombard Street
London
EX3V 9EX

Solicitors
Baker & McKenzie
100 New Bridge Street
London
EC4 V6J

Auditor
Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
Churchill House
Chalvey Road East
Slough
Berkshire
SL1 2LS

Contents

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2005.

Principal activities and business review

The principal business activity of the company during the year was qualifying to bid and bidding for major public private partnership contracts in the criminal justice sector.

The company won the contract to manage Campsfield House Immigration Removal Centre in early 2006 and is now delivering that contract.

Results and dividends

The profit for the year amounted to £1,641,697. The directors do not recommend the payment of a dividend (2004 - £23,634,165).

Financial risk management objectives and policies

The company uses various financial instruments including cash and items such as trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial statements are currency risk, and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk
The company can be exposed to translation and foreign exchange risk on its Treasury function. This is however managed by undertaking the majority of transactions with overseas customers and suppliers in sterling and through the operation of foreign currency bank accounts.

Liquidity risk
The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Directors

The directors who served the company during the year were as follows:

W H Calabrese
D H Keens
W Macgowan (Appointed 26 January 2005)

The directors have no interests in the share capital of the company and have no rights granted to or exercised to subscribe to or for shares.

Directors' interests in the shares of group companies are not required to be disclosed under the Companies (Disclosure of Directors' Interests)(Exceptions) Regulations 1985 by virtue of the company being a wholly owned subsidiary of a non United Kingdom company.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

United Kingdom 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 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
- 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 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.

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP was appointed as auditor to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985.

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

W MacGowan
Director
26 October 2006

Grant Thornton

Report of the independent auditor to the members of The GEO Group (UK) Limited

We have audited the financial statements of The GEO Group (UK) Limited for the year ended 31 December 2005 which comprise the accounting policies, profit and loss account, balance sheet and notes 1 to 16. These financial statements have been prepared under 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 auditor's 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and 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).

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 and the information given in the Report of the Directors is consistent with the financial statements. We also 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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 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.

Report of the independent auditor to the members of The GEO Group (UK) Limited (continued)

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 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH

27 October 2006

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year apart from the adoption of FRS 21 '(IAS 10) Events After the Balance Sheet Date'. This change is described in more detail below.

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

-FRS 21 'Events after the Balance Sheet date (IAS 10)'.

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. Previously where these equity dividends were proposed after the balance sheet date but before authorisation of the financial statements they were recorded as liabilities at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. The financial effect of this change in accounting policy is set out in note 13

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated statement of cash flows.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

> Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
>
> 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 tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Profit and loss account

	Note	2005 £	2004 £
Turnover		-	-
Administrative expenses	1	(1,074,947)	(230,343)
Exceptional administrative income/(expenses) - foreign currency translation	1	1,923,214	(1,219,400)
Operating profit/(loss)	2	848,267	(1,449,743)
Interest receivable	5	713,727	609,644
Profit/(loss) on ordinary activities before taxation		1,561,994	(840,099)
Tax on profit/(loss) on ordinary activities	6	(79,703)	-
Profit/(loss) for the financial year	14	1,641,697	(840,099)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2005 £	2004 £
Current assets			
Debtors	8	17,876,546	8,110,797
Cash at bank		5,948,170	14,008,360
		23,824,716	22,119,157
Creditors: amounts falling due within one year	9	89,905	26,043
Net current assets		23,734,811	22,093,114
Total assets less current liabilities		23,734,811	22,093,114
Capital and reserves			
Called-up equity share capital	12	125,002	125,002
Profit and loss account		23,609,809	21,968,112
Shareholders' funds	15	23,734,811	22,093,114

These financial statements were approved by the directors on 26 October 2006 and are signed on their behalf by:

W Macgowan
Director

Notes to the financial statements

1 Other operating charges

	2005	2004
	£	£
Administrative expenses	1,074,947	230,343
Exceptional administrative (income)/expenses - foreign currency translation	(1,923,214)	1,219,400
	(848,267)	1,449,743

The exceptional administrative income / (expenses) arises as a result of exchange rate movements on US Dollar bank accounts and loans due from group undertakings and third parties.

2 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2005	2004
	£	£
Auditor's remuneration:		
Audit fees	15,000	39,135
Operating lease costs:		
Other	55,104	24,982
Net (profit)/loss on foreign currency translation	(1,923,214)	1,219,400

3 Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2005	2004
	No	No
Number of administrative staff	4	-

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	406,386	24,583
Social security costs	47,366	3,147
Other pension costs	47,808	3,442
	501,560	31,172

4 Directors

Remuneration in respect of directors was as follows:

	2005 £	2004 £
Emoluments receivable	202,501	–
Value of company pension contributions to money purchase schemes	24,080	–
	226,581	–

Emoluments of highest paid director:

	2005 £	2004 £
Total emoluments (excluding pension contributions)	202,501	–
Value of company pension contributions to money purchase schemes	24,080	–
	226,581	–

The number of directors who accrued benefits under company pension schemes was as follows:

	2005 No	2004 No
Money purchase schemes	1	-

5 Interest receivable

	2005 £	2004 £
Bank interest receivable	316,992	47,119
Other loan interest receivable	396,735	407,073
Interest from group undertakings	–	155,452
	713,727	609,644

6 Taxation on ordinary activities

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
Corporation tax	-	-
under provision in prior year	(79,703)	-
Total current tax	(79,703)	-

6 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005	2004
	£	£
Profit/(loss) on ordinary activities before taxation	1,561,994	(840,099)
Profit/(loss) on ordinary activities by rate of tax	468,598	(252,030)
Expenses not deductible for tax purposes	15,445	740
tax losses	(483,704)	250,949
Adjustments to tax charge in respect of previous periods	(79,703)	-
Sundry tax adjusting items	(339)	341
Total current tax (note 6(a))	(79,703)	-

7 Dividends

Dividends on shares classed as equity

	2005	2004
	£	£
Paid during the year		
Equity dividends on ordinary shares	-	23,634,165

8 Debtors

	2005	2004
	£	£
Amounts owed by group undertakings	14,528,126	4,797,618
Corporation tax repayable	487,619	407,916
Other debtors	2,860,801	2,905,263
	17,876,546	8,110,797

The debtors above include the following amounts falling due after more than one year:

	2005	2004
	£	£
Amounts owed by group undertakings	-	4,797,618
Other debtors	2,639,599	2,879,687
	2,639,599	7,677,305

9 Creditors: amounts falling due within one year

	2005	2004
	£	£
Other taxation and social security	14,283	-
Other creditors	2,335	-
Accruals and deferred income	73,287	26,043
	89,905	26,043

Included within accruals are outstanding pension contributions amounting to £nil (2004 - £3,442).

10 Commitments under operating leases

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	2005		2004	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire:				
Within 1 year	32,400	-	48,000	-
Within 2 to 5 years	-	4,238	-	-
	32,400	4,238	48,000	-

11 Related party transactions

Being a 100% owned subsidiary, the company has taken advantage of the exemption, as conferred by Financial Reporting Standard 8 'Related Party Disclosures', not to disclose transactions with other members of the group headed by The Geo Group Inc.

12 Share capital

Authorised share capital:

	2005	2004
	£	£
126,000 Ordinary shares of £1 each	126,000	126,000

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	125,002	125,002	125,002	125,002

13 Prior year adjustment

In the prior year dividends of £23,634,165 were paid, these were disclosed in the profit and loss account for the prior year. In the comparative figures these are now no longer disclosed on the face of the profit and loss account but disclosed as an appropriation of profit in note 14.

14 Profit and loss account

	2005	2004 (Restated)
	£	£
Balance brought forward	21,968,112	46,442,376
Profit/(loss) for the financial year	1,641,697	(840,099)
Equity dividends paid (FRS 25)	-	(23,634,165)
Balance carried forward	23,609,809	21,968,112

15 Reconciliation of movements in shareholders' funds

	2005	2004 (Restated)
	£	£
Profit/(Loss) for the financial year	1,641,697	(840,099)
Equity dividends paid (FRS 25)	-	(23,634,165)
Net addition/(reduction) to shareholders' funds	1,641,697	(24,474,264)
Opening shareholders' funds	22,093,114	46,567,378
Closing shareholders' funds	23,734,811	22,093,114

16 Ultimate parent company

The ultimate parent undertaking and largest group in which consolidated accounts are available is The GEO Group Inc. This company is incorporated in the United States of America and is organised under the laws of the state of Florida. Group accounts are available from One Park Place, Suite 700, 621 NW 53rd Street, Boca Raton, Florida 33487, United States of America.