Grant Thornton

Financial Statements
The GEO Group UK Limited

For the period ended 2 January 2011

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COMPANIES HOUSE

Company No. 2878845

Officers and professional advisers

Company registration number	2878845
Registered office	100 New Bridge Street London EC4V 6JA
Directors	B R Evans J M Hurley G C Zoley
Secretaries	Abogado Nominees Limited J J Bulfin P D Watkins
Bankers	Barclays Bank plc PO Box 544 54 Lombard Street London EC3V 9EX
Solicitors	Baker & McKenzie 100 New Bridge Street London EC4V 6JA
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditors Churchill House Chalvey Road East Slough Berkshire SL1 2LS

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Report of the directors

The directors present their report and the financial statements of the company for the period ended 2 January 2011

Principal activities and business review

The principal business activity of the company during the year was the operational management of our current contracts whilst investing significantly in generation of new business opportunities Particular emphasis has been placed on qualifying to bid and bidding for major public private partnership contracts in the criminal justice sector

The GEO Group UK Limited (hereafter "GEO") operates in the custodial services market, providing detention and escorting services to primarily public sector organisations The fundamental principle by which GEO operates is to develop a decent, dignified and progressive custodial environment which embraces all aspects of diversity, whilst delivering excellence in both operational and financial performance

The expansion of Harmondsworth Immigration Removal Centre was completed in the year and on 18 July 2010 it was handed over to GEO, increasing the capacity to 615 bedspaces, making this facility the largest of its type in the UK

On 14 March 2011 GEO via its newly formed joint venture (GEO Amey PECS Limited, "GEOAmey") was awarded three contracts by the Ministry of Justice for the provision of prisoner escort and court services, encompassing all of Wales and England except for London and the East of England

GEOAmey is a joint venture between GEO's wholly owned subsidiary, The GEO Group Limited and Amey Community Limited The joint venture is expected to employ approximately 3,000 employees and run a fleet of around 460 vehicles, handling approximately 2,600 daily prisoner movements

The operations started on 29 August 2011

The UK government is continuing with a number of procurement programmes to let the custodial sector out to tender to the private sector GEO is actively participating in these programmes

Summary of key performance indicators

The directors use the following key performance indicators to assess the performance of the company

- Revenue (recurring & total)
- Gross profit %
- Results for the year

For performance against these key performance indicators please refer to the profit and loss account on page 11

Results and dividends

The profit for the year amounted to £1,081,921 (2009 £1,641,916 loss) The directors did not recommend a dividend payment

Report of the directors (continued)

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 instruments 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 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

Going concern

The directors have acknowledged the guidance 'Going Concern and Liquidity Risk Guidance for Directors of UK Companies 2009', published by the Financial Reporting Council in October 2009

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on page 3

The company meets its day to day working capital requirements through its existing funds The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves

The company participates in the group's centralised treasury arrangements and if required the company would be able to access additional funding from its parent, GEO International Holdings, Inc The directors, having assessed the responses of the directors of the company's parent, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of GEO International Holdings, Inc to continue as a going concern or its ability to fund the company if required

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of The GEO Group, Inc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors

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

W H Calabrese	resigned 31 December 2010
W MacGowan	resigned 24 February 2011

Report of the directors (continued)

Employee involvement

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company

This is achieved through consultations with employee representatives and the group newsletter

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the company may continue It is the policy of the company that training, career development and promotion opportunities should be available to all employees

Statement of directors' responsibilities

The directors are responsible for preparing the report of the directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 period In preparing these 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, and
- 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 adequate 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 2006 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Report of the directors (continued)

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Companies Act 2006

On behalf of the Board

B R Evans
Director

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 period ended 2 January 2011 which comprise the principal accounting policies, the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 2 January 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Perry Burton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Slough

30 September 2011

Principal accounting policies (continued)

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

As discussed in the report of the directors these financial statements have been prepared on the going concern basis

The principal accounting policies of the company, which have remained unchanged from the previous year, are set out below

The directors have reviewed the principal accounting policies and consider they are appropriate

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) 'Cash flow statements' 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

Turnover
Turnover is the revenue arising from the sales of goods and services It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts

Revenue from services provided by the group is recognised when the group has performed its obligations and in exchange obtained the right to consideration

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their estimated useful economic lives The periods generally applicable are

Plant and equipment	3 – 10 years
Computer equipment	5 years

Lease agreements
Leases where substantially all of the risks and rewards of ownership are not transferred to the company are treated as operating leases Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease

Operating lease incentives are recognised, on a straight-line basis, as a reduction of the rental expense over the shorter of the lease term and the period to the first rent review where market rentals will be payable

Principal accounting policies (continued)

Stock

Stocks are stated at the lower of cost and net realisable value, after provisions are made in respect of obsolete and slow moving items, based on historical experience of utilisation on a category-by-category basis

Cost of raw materials, consumables and goods for resale is based on purchased cost on a first-in, first-out basis

Net realisable value is the estimated selling price less all further costs to complete and all costs to be incurred in marketing, selling and distribution

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

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

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Profit and loss account

	Note	Period ended 2 Jan 2011 £	Period ended 3 Jan 2010 £
Turnover		19,743,730	10,943,117
Cost of sales		(16,103,918)	(10,913,464)
Gross profit		3,639,812	29,653
Other operating charges	1	(2,825,171)	(1,968,387)
Operating profit/(loss)	2	814,641	(1,938,734)
Net interest	5	281,903	296,818
Profit/(loss) on ordinary activities before taxation		1,096,544	(1,641,916)
Tax on profit/(loss) on ordinary activities	6	(14,623)	-
Profit/(loss) for the period	17	1,081,921	(1,641,916)

All the activities of the company are classed as continuing

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

Balance sheet

	Note	2 January 2011 £	3 January 2010 £
Fixed assets			
Investments	7	**1**	1
Tangible fixed assets	8	**408,470**	582,378
Total fixed assets		**408,471**	582,379
Current assets			
Stocks	9	**108,817**	76,317
Debtors	10	**2,694,257**	2,386,237
Cash at bank		**2,935,002**	1,497,659
Debtors due after more than one year	10	**1,744,869**	1,929,763
		7,482,945	5,889,976
Creditors: amounts falling due within one year	11	**1,707,655**	1,370,515
Net current assets		**5,775,290**	4,519,461
Total assets less current liabilities		**6,183,761**	5,101,840
Capital and reserves			
Called-up equity share capital	14	**125,003**	125,003
Share premium account	16	**2,225,058**	2,225,058
Capital contribution reserve	16	**2,919,580**	2,919,580
Profit and loss account	15	**914,120**	(167,801)
Shareholders' funds	17	**6,183,761**	5,101,840

These financial statements were approved by the directors and authorised for issue on 27 September 2011 and are signed on their behalf by

B R Evans
Director

Company number 2878845

Notes to the financial statements

1 Other operating charges

	Period ended 2 Jan 2011 £	Period ended 3 Jan 2010 £
Administrative expenses	**2,825,171**	1,927,369

2 Operating profit/(loss)

Operating loss is stated after charging/(crediting)

	Period ended 2 Jan 2011 £	Period ended 3 Jan 2010 £
Auditor's remuneration		
- Audit & services	**23,000**	23,000
- Non-audit services	**6,600**	6,600
Operating lease costs		
- Land & Buildings	**93,639**	94,992
- Other	**67,992**	49,506
Depreciation of tangible fixed assets	**208,004**	134,373
Amortisation and impairment of goodwill	**-**	-
Loss on disposal of fixed assets	**33,705**	4,495
Net (gain) on foreign currency translation	**(7,242)**	(6,999)

Notes to the financial statements (continued)

3 Particulars of employees

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

	Period ended 2 Jan 2011 No	Period ended 3 Jan 2010 No
Number of administrative staff	88	30
Number of operational staff	303	221
Total staff	391	251

The aggregate payroll costs of the above were

	Period ended 2 Jan 2011 £	Period ended 3 Jan 2010 £
Wages and salaries	9,873,370	6,633,842
Social security costs	948,415	600,083
Other pension costs	144,542	103,899
	10,966,327	7,337,824

4 Directors

Remuneration in respect of directors was as follows

	Period ended 2 Jan 2011 £	Period ended 3 Jan 2010 £
Emoluments receivable	294,595	211,029
Value of company pension contributions to money purchase schemes	26,832	26,832
	321,427	237,861

Emoluments of highest paid director

	Period ended 2 Jan 2011 £	Period ended 3 Jan 2010 £
Total emoluments (excluding pension contributions)	294,595	211,029
Value of company pension contributions to money purchase schemes	26,832	26,832
	321,427	237,861

One director accrued benefits under company pension schemes (2009 - 1)

Notes to the financial statements (continued)

5 Net interest

	Period ended 2 Jan 2011 £	Period ended 3 Jan 2010 £
Bank interest receivable	10,465	1,746
Other loan interest receivable	271,438	295,072
	281,903	296,818

6 Taxation on profit/(loss) on ordinary activities

(a) Analysis of charge in the year

	Period ended 2 Jan 2011 £	Period ended 3 Jan 2010 £
Current tax		
Corporation tax	14,623	-
Total current tax	14,623	-

(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 28% (2009 - 28%)

	Period ended 2 Jan 2011 £	Period ended 3 Jan 2010 £
Profit/(loss) on ordinary activities before taxation	1,096,544	(1,600,898)
Profit/(loss) on ordinary activities by rate of tax	307,032	(448,252)
Depreciation in excess of capital allowances	50,759	38,883
Expenses not deductible for tax purposes	3,228	1,751
Unrealised tax losses carried forward	-	399,676
Other short term timing differences	7,935	7,942
Utilisation of tax losses and other deductions	(354,331)	-
Total current tax (note 6(a))	14,623	-

(c) The total losses carried forward of £7,619,910 (2009 £8,527,181) give rise to a potential deferred tax asset of £2,133,575 (2009 £2,387,611) which is not being recognised as it does not satisfy the recognition criteria of Financial Reporting Standard 19 'Deferred tax'

Notes to the financial statements (continued)

7 Fixed asset investments

	Shares in group undertaking £
At 2 January 2011 & 2 January 2010	1

At 2 January 2011 the company held more than 20% of the allotted share capital of the following undertaking

Company name	Country of incorporation	Class of share capital held	Proportion held
The GEO Group Limited	United Kingdom	Ordinary	100%

The above company is dormant and therefore no consolidated accounts are prepared

8 Tangible fixed assets

	Plant & equipment £	Computer equipment £	Totals £
Cost			
At 3 January 2010	642,901	233,544	876,445
Additions	14,546	53,256	67,802
Disposals	(77,364)	-	(77,364)
At 2 January 2011	**580,083**	**286,800**	**866,883**
Depreciation			
At 3 January 2010	181,688	112,379	294,067
Charge for the period	141,392	66,613	208,005
On disposals	(43,659)	-	(43,659)
At 2 January 2011	**279,421**	**178,992**	**458,413**
Net book value			
At 2 January 2011	**300,662**	**107,808**	**408,470**
At 3 January 2010	461,213	121,165	582,378

Notes to the financial statements (continued)

9 Stocks

	2 Jan 2011	3 Jan 2010
	£	£
Finished goods	**108,817**	76,317

10 Debtors

	2 Jan 2011	3 Jan 2010
	£	£
Trade debtors	**2,012,889**	1,385,085
Other debtors	**681,368**	1,001,152
Debtors due within one year	**2,694,257**	2,386,237

The following amounts fall due after more than one year

	2 Jan 2011	3 Jan 2010
	£	£
Other debtors	**1,744,869**	1,929,763

11 Creditors: amounts falling due within one year

	2 Jan 2011	3 Jan 2010
	£	£
Trade creditors	**205,218**	314,513
Other taxation and social security	**798,054**	534,346
Other creditors	**46,619**	22,888
Accrued pension contributions	**18,645**	32,859
Amounts owed to group undertakings	-	-
Accruals and deferred income	**624,496**	465,909
Corporation tax	**14,623**	-
	1,707,655	1,370,515

Notes to the financial statements (continued)

12 Commitments under operating leases

At 2 January 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2 Jan 2011		3 Jan 2010	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire				
Within 1 year	**1,350**	**2,272**	717	3,127
Within 2 to 5 years	**20,400**	**35,102**	-	43,561
Greater than 5 years	**57,350**	**-**	57,350	-
	79,100	**37,374**	58,067	46,688

13 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

14 Share capital

Authorised

	2 Jan 2011	3 Jan 2010
	£	£
1,000,000 Ordinary shares of £1 each	**1,000,000**	1,000,000

Allotted, called up and fully paid

	2 Jan 2011		3 Jan 2010	
	No	£	No	£
Ordinary shares of £1 each	**125,003**	**125,003**	125,003	125,003

15 Profit and loss account

	2 Jan 2011	3 Jan 2010
	£	£
Balance brought forward	**(167,801)**	1,474,115
Profit/loss for the financial year	**1,081,921**	(1,641,916)
Balance carried forward	**914,120**	(167,801)

Notes to the financial statements (continued)

16 Other reserves

	Share Premium		Capital contribution reserve	
	2 Jan 2011	3 Jan 2010	**2 Jan 2011**	3 Jan 2010
			£	£
As at 3 January 2010	**2,225,058**	**2,225,058**	**2,919,580**	-
Capital contribution/debt converted into equity during the year	-	-	-	2,919,580
As at 2 January 2011	**2,225,058**	2,225,058	**2,919,580**	2,919,580

In the prior year a loan to the parent company was written off and a capital contribution reserve was created

17 Reconciliation of movements in shareholders' funds

	2010	2009
	£	£
Profit/(loss) for the financial year and net increase/(reduction) to shareholders' funds	**1,081,921**	(1,641,916)
Opening shareholders' funds	**5,101,840**	3,824,176
Capital contribution from parent company	-	2,919,580
Closing shareholders' funds	**6,183,761**	5,101,840

18 Ultimate parent company

The Immediate Parent undertaking is GEO International Holdings, Inc

The ultimate parent undertaking and largest group for 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