Grant Thornton

Financial Statements
The Geo Group UK Limited

For the period ended 1 January 2012

Registered number: 2878845

Company Information

Company number	2878845
Registered office	100 New Bridge Street London EC4V 6JA
Directors	G C Zoley J M Hurley B R Evans
Company 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
Auditors	Grant Thornton UK LLP Charted Accountants & Statutory Auditors 1020 Eskdale Road Winnersh Wokingham RG41 5TS

Contents

Directors' Report

For the period ended 1 January 2012

The directors present their report and the financial statements of the company for the period ended 1 January 2012

Principal activities and business review

The GEO Group UK Limited (hereafter "GEO") operates in the custodial service 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 services

The principal business activity of GEO during this year was the operational management of its contracts with the United Kingdom Border Agency ("UKBA"), whilst continuing to invest significantly in 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 UK Government is continuing with a number of procurement programmes to let the custodial sector out to tender to the private sector and GEO is actively participating in these programmes

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 Custody services, encompassing all of Wales and England, except London and the East of England The contract is for a 7 year period with a renewal option period of no more than three years GEOAmey commenced operating these contracts on 29 August 2011 GEO, along with the other joint venture partner, has provided GEOAmey with funding via an intercompany loan, to cover amongst other things the cost of mobilising the contracts In the future this joint venture is likely to pay dividends The investment in this joint venture sits within The Geo Group Limited, the Company's non-trading subsidiary, and therefore these transactions are not reflected in the Company's financial statements

On 30 March 2011, GEO was awarded the contract to operate Dungavel Immigration Removal Centre for the United Kingdom Border Agency The contract is for a 5 year period with potential annual renewals up to 8 years The Centre has capacity for 217 detainees GEO took over the operation of the Centre on 25 September 2011 GEO's contract to operate Campsfield House Immigration Removal Centre ended on 29 May 2011

Summary of key performance indicators

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

Turnover
Gross Profit
Results for the year

For performance against these key performance indicators please refer to the profit and loss account on page 7

Directors' Report

For the period ended 1 January 2012

Results and dividends

The loss for the period, after taxation, amounted to £745,922 (2011 - profit £1,081,921) The directors did not recommend a dividend payment

Directors

The directors who served during the period were

G C Zoley (appointed 24 February 2011)
J M Hurley (appointed 24 February 2011)
B R Evans (appointed 27 April 2011)
W MacGowan (resigned 24 February 2011)

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

Directors' Report
For the period ended 1 January 2012

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 4

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 by its parent, The GEO Group, 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 The GEO Group, 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

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 that training, career development and promotion opportunities should be available to all employees

Directors' Report

For the period ended 1 January 2012

Directors' responsibilities statement

The directors are responsible for preparing the Directors' 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) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments 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 are sufficient to show and explain the company's transactions and 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

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Auditors

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

This report was approved by the board on 21 September 2012 and signed on its behalf

B R Evans
Director

Grant Thornton

Independent Auditors' Report 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 1 January 2012, which comprise 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 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 explained more fully in the Directors' responsibilities statement, 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 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 Auditing Practices Board'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 1 January 2012 and of its loss 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 Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

Grant Thornton

Independent Auditors' Report to the Members of The Geo Group UK Limited

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
Charted Accountants
Statutory Auditors
Reading IQ
Date
21 September 2012

Profit and Loss Account

For the period ended 1 January 2012

	Note	Period ended 1 January 2012 £	Period ended 2 January 2011 £
Turnover	1	**18,252,838**	19,743,730
Cost of sales		**(15,347,755)**	(16,103,918)
Gross profit		**2,905,083**	3,639,812
Administrative expenses		**(3,943,364)**	(2,825,171)
Operating (loss)/profit	2	**(1,038,281)**	814,641
Interest receivable and similar income	5	**290,568**	281,903
(Loss)/profit on ordinary activities before taxation		**(747,713)**	1,096,544
Tax on (loss)/profit on ordinary activities	6	**1,791**	(14,623)
(Loss)/profit for the financial period	15	**(745,922)**	1,081,921

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account.

The notes on pages 10 to 18 form part of these financial statements

Balance Sheet
As at 1 January 2012

	Note	£	1 January 2012 £	£	2 January 2011 £
Fixed assets					
Tangible assets	8		**385,480**		408,470
Investments	7		**1**		1
			385,481		408,471
Current assets					
Stocks	9	**185,734**		108,817	
Debtors amounts falling due after more than one year	10	**9,790,138**		1,744,869	
Debtors amounts falling due within one year	10	**2,950,304**		2,694,257	
Cash at bank		**962,152**		2,935,002	
		13,888,328		7,482,945	
Creditors: amounts falling due within one year	11	**(3,730,440)**		(1,707,655)	
Net current assets			**10,157,888**		5,775,290
Total assets less current liabilities			**10,543,369**		6,183,761
Creditors amounts falling due after more than one year	13		**(5,105,530)**		-
Net assets			**5,437,839**		6,183,761

Balance Sheet (continued)

As at 1 January 2012

	Note	£	1 January 2012 £	£	2 January 2011 £
Capital and reserves					
Called up share capital	14		**125,003**		125,003
Share premium account	15		**2,225,058**		2,225,058
Capital redemption reserve	15		**2,919,580**		2,919,580
Profit and loss account	15		**168,198**		914,120
Shareholders' funds	16		**5,437,839**		6,183,761

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

21 September 2012.

B R Evans
Director

Company number 2878845

The notes on pages 10 to 18 form part of these financial statements

Notes to the Financial Statements
For the period ended 1 January 2012

1. Accounting Policies

1 1 Basis of preparation of financial statements

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

Under the provision of section 400 of the Companies Act 2006 the company is exempt from preparing consolidated financial statements and has not done so, therefore the financial statements show information about the company as an individual entity

1 2 Cash flow

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

1 3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade 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

1 4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Computer equipment	-	5 years
Plant & Equipment	-	3-10 years

1 5 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

Notes to the Financial Statements

For the period ended 1 January 2012

1. Accounting Policies (continued)

1 6 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

1 7 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

1 8 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

1 9 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

Notes to the Financial Statements

For the period ended 1 January 2012

2. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting)

	Period ended 1 January 2012 £	Period ended 2 January 2011 £
Depreciation of tangible fixed assets		
- owned by the company	**243,118**	208,005
Auditors' remuneration	**36,792**	23,000
Auditors' remuneration - non-audit	**-**	6,600
Operating lease costs		
- Land & Buildings	**106,105**	93,639
- Other	**68,307**	67,992
Net loss/(profit) on foreign currency translation	**39,216**	(7,242)
(Gain)/loss on disposal of fixed assets	**(26,962)**	33,705

3. Particulars of employees

Staff costs, including directors' remuneration, were as follows

	Period ended 1 January 2012 £	Period ended 2 January 2011 £
Wages and salaries	**10,152,148**	9,873,370
Social security costs	**1,013,426**	948,415
Other pension costs	**183,617**	144,542
	11,349,191	10,966,327

The average monthly number of employees, including the directors, during the period was as follows

	Period ended 1 January 2012 No.	Period ended 2 January 2011 No
Number of administrative staff	**74**	88
Number of operational staff	**301**	303
	375	391

Notes to the Financial Statements

For the period ended 1 January 2012

4. Directors' remuneration

	Period ended 1 January 2012 £	Period ended 2 January 2011 £
Emoluments	**33,317**	294,595
Company pension contributions to defined contribution pension schemes	**7,174**	26,832

During the period retirement benefits were accruing to 1 director (2011 - 1) in respect of defined contribution pension schemes

5. Net Interest

	Period ended 1 January 2012 £	Period ended 2 January 2011 £
Bank interest receivable	**-**	10,465
Other interest receivable	**290,568**	271,438
	290,568	281,903

Notes to the Financial Statements

For the period ended 1 January 2012

6. Taxation

	Period ended 1 January 2012	Period ended 2 January 2011
	£	£
Corporation Tax	**(1,791)**	14,623

Factors affecting tax charge for the period/year

The tax assessed for the period is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 20 25% (2011 - 28%) The differences are explained below

	Period ended 1 January 2012	Period ended 2 January 2011
	£	£
(Loss)/profit on ordinary activities before tax	**(747,713)**	1,096,544
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20 25% (2011 - 28%)	**(151,412)**	307,032
Effects of		
Expenses not deductible for tax purposes	**14,064**	3,228
(Capital allowances in excess of depreciation)/depreciation in excess of capital allowances	**(22,835)**	50,759
Utilisation of tax losses	**-**	(354,331)
Tax losses carried forward	**172,806**	-
Adjustments to tax charge in respect of prior periods	**(14,623)**	-
Other short term timing differences	**209**	7,935
Current tax (credit)/charge for the period (see note above)	**(1,791)**	14,623

Factors that may affect future tax charges

The total losses carried forward of £6,956,495 (2011 £7,619,910) give rise to a potential deferred tax asset of £1,408,690 (2011 2,133,575) 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

For the period ended 1 January 2012

7. Fixed asset investments

	Shares in group undertaking £
Cost or valuation	
At 3 January 2011 and 1 January 2012	1

At 2 January 2012 the Company owned 100% of the share capital of The Geo Group UK Limited, a company incorporated in England and Wales As set out in the directors report this entity was used as a vehicle to invest in a joint venture arrangement with Amey plc The entity did not trade in the year

8. Tangible fixed assets

	Computer equipment £	Plant & equipment £	Totals £
Cost			
At 3 January 2011	286,800	580,083	866,883
Additions	105,273	143,765	249,038
Disposals	(17,135)	(63,995)	(81,130)
At 1 January 2012	374,938	659,853	1,034,791
Depreciation			
At 3 January 2011	178,992	279,421	458,413
Charge for the period	67,875	175,243	243,118
On disposals	(12,820)	(39,400)	(52,220)
At 1 January 2012	234,047	415,264	649,311
Net book value			
At 1 January 2012	140,891	244,589	385,480
At 2 January 2011	107,808	300,662	408,470

9. Stocks

	1 January 2012 £	2 January 2011 £
Finished goods and goods for resale	185,734	108,817

Notes to the Financial Statements

For the period ended 1 January 2012

10. Debtors

	1 January 2012 £	2 January 2011 £
Due after more than one year		
Other debtors	**9,790,138**	1,744,869

	1 January 2012 £	2 January 2011 £
Due within one year		
Trade debtors	**2,152,440**	2,012,889
Amounts due from related parties	**96,592**	-
Other debtors	**270,791**	681,368
Prepayments	**430,481**	-
	2,950,304	2,694,257

11. Creditors: Amounts falling due within one year

	1 January 2012 £	2 January 2011 £
Trade creditors	**745,012**	205,218
Accrued pension contributions	**19,675**	18,645
Corporation tax	**12,832**	14,623
Other taxation and social security	**859,406**	798,054
Other creditors	**44,956**	46,619
Accruals and deferred income	**2,048,559**	624,496
	3,730,440	1,707,655

Notes to the Financial Statements

For the period ended 1 January 2012

12. Operating lease commitments

At 1 January 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	1 January 2012	2 January 2011	**1 January 2012**	2 January 2011
	£	£	**£**	£
Operating leases which expire				
Within 1 year	**1,350**	1,350	**24,445**	2,272
Between 2 and 5 years	**22,200**	20,400	**37,315**	35,102
After more than 5 years	**11,156**	57,350	**-**	-
Total	**34,706**	79,100	**61,760**	37,374

13. Creditors: Amounts falling due after more than one year

	1 January 2012	2 January 2011
	£	£
Amounts owed to group undertakings	**5,105,530**	-

14. Share capital

	1 January 2012	2 January 2011
	£	£
Authorised		
1,000,000 Ordinary shares of £1 each	**1,000,000**	1,000,000
Allotted, called up and fully paid		
125,003 Ordinary shares of £1 each	**125,003**	125,003

15. Other Reserves

	Share premium account	**Capital redempt'n reserve**	**Profit and loss account**
	£	**£**	**£**
At 3 January 2011	**2,225,058**	**2,919,580**	**914,120**
Loss for the period	**-**	**-**	**(745,922)**
At 1 January 2012	**2,225,058**	**2,919,580**	**168,198**

Notes to the Financial Statements

For the period ended 1 January 2012

16. Reconciliation of movement in shareholders' funds

	1 January 2012 £	2 January 2011 £
Opening shareholders' funds	**6,183,761**	5,101,840
(Loss)/profit for the period/year	**(745,922)**	1,081,921
Closing shareholders' funds	**5,437,839**	6,183,761

17. 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

18. Ultimate parent undertaking and controlling party

The Immediate Parent undertaking is GEO International Holdings, Inc

The ultimate parent undertaking and largest group for which consolidated accounts are available in 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