

Registered number: 02878845

THE GEO GROUP UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



THE GEO GROUP UK LIMITED

COMPANY INFORMATION

Directors

G C Zoley
B R Evans
J D Donahue (resigned 12 July 2020)
B Davis (appointed 12 July 2020)

Company secretaries

J Negron (appointed 1st January 2019)
J Henney (resigned 23 January 2019)
Abogado Nominees Limited (resigned 25 January 2019)

Registered number

02878845

Registered office

1 St. James Court
Whitefriars
Norwich
Norfolk
England
NR3 1RU

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Seacourt Tower
Botley
Oxford
OX2 0JJ

Bankers

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London
E14 5HP

Solicitors

Baker McKenzie
100 New Bridge Street
London
EC4V 6JA

THE GEO GROUP UK LIMITED

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THE GEO GROUP UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The GEO Group UK Limited (hereafter "GEO UK") operates in the criminal justice market, providing custody, escorting and offender management services to primarily public sector organisations. Our services are delivered in accordance with our core values of safety, care, quality, innovation and integrity.

Directors

The directors who served during the year were:

G C Zoley
B R Evans
J D Donahue (resigned 12 July 2020)

Going concern

As part of their going concern assessment, the directors have prepared forecasts to assess the cash requirement to continue in operational existence for a minimum period of 12 months from the date of the approval of these financial statements. The directors have considered the potential impact of Covid-19 and Brexit on the forecasts, and believe that due to the nature of the business, neither event will have any significant negative impact on the business. The company has continued to operate throughout the pandemic with additional hygiene and social distancing measures. Brexit is unlikely to result in a reduction in demand for the companies services and this is reflected in the Home Office RFP for the contract renewal.

Should the need arise, the Company has received confirmation that The GEO Group Inc. will not recall any inter-company loans until such time as the Company has sufficient funds to repay those loans without impacting its ability to meet third party creditors obligations as they fall due. The GEO Group Inc. has also committed to provide further short-term funding, if required, for a period of at least 12 months from the date of approval of these financial statements, to enable the Company to meet any other financial obligations as they become due.

The directors acknowledge that the aforementioned forecasts and parental support are subject to the Company winning the re-tender of its sole revenue contract, which is due to expire in September 2021. The directors believe the Company have submitted a bid that provides value for money, and that the company is in a strong competitive position due to the start-up costs other vendors would need to incur, and the positive existing relationship with the customer developed through efficient delivery and commitment to the current contract obligations. However, the result of this tender process, in which the Company has invested a significant amount of management time, is not known at the date of approval of these financial statements.

As a result of the expiry of the current contract there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and therefore whether the Company will realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

Although it is uncertain whether the re-bid efforts will be successful, the directors have determined that the actions taken are sufficient to mitigate the inherent uncertainty, or the risk of any material assets not being utilised or fully written down by the end of the contract period, or any liabilities not being fully discharged. The directors have therefore prepared the financial reporting on a going concern basis.

THE GEO GROUP UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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 accounting 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 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.

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.

Qualifying third party indemnity provisions

The company has maintained directors' and officers' liability insurance in respect of its directors.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

THE GEO GROUP UK LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 22/1/2021 and signed on its behalf.

Brian Evans

B R Evans
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GEO GROUP UK LIMITED

Disclaimer of opinion

We were engaged to audit the financial statements of The Geo Group UK Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

We were unable to obtain sufficient appropriate audit evidence about the opening balances for the year ended 31 December 2018 as the Company identified certain transactions that were not recorded to the general ledger and certain transactions that were not allocated to the correct accounting period. In addition, a computer system failure prevented the Company from accessing the accounting records for a period of time post year end which caused delays in resolving the aforementioned issues. As a result of this, we were unable to confirm or verify by alternative means the opening balances. Since opening balances enter into the determination of financial performance, we were unable to determine whether any adjustments might have been found necessary in respect of the Statement of Income and Retained Earnings.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GEO GROUP UK LIMITED
(CONTINUED)**

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the Company's sole revenue contract is due to expire in September 2021 and, although the Company is retendering for the contract, the outcome of the retender is not known at the date of signing this auditor's report. As stated in note 2.2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GEO GROUP UK LIMITED
(CONTINUED)**

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

Matters on which we are required to report by exception

Arising from the limitation of our work referred to above:

- we have not received all the information and explanations we require for our audit; and
- we were unable to determine whether adequate accounting records have not been kept.

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

- 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GEO GROUP UK LIMITED
(CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

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.

Grant Thornton UK LLP

Mark Bishop FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
Date: 22/1/2021

THE GEO GROUP UK LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
Turnover	5,717,318	5,337,972
Cost of sales	(3,526,276)	(3,780,748)
Gross profit	2,191,042	1,557,224
Administrative expenses	(2,005,547)	(2,388,049)
Other operating income	377,201	-
Operating profit/(loss)	562,696	(830,825)
Income from shares in group undertakings	3,000,000	-
Interest receivable and similar income	6,545	14,482
Interest payable and expenses	(231,845)	(257,757)
Profit/(loss) before tax	3,337,396	(1,074,100)
Tax on profit/(loss)	15,262	(15,264)
Profit/(loss) after tax	3,352,658	(1,089,364)
Retained earnings at the beginning of the year	(11,032,149)	(9,942,785)
	(11,032,149)	(9,942,785)
Profit/(loss) for the year	3,352,658	(1,089,364)
Retained earnings at the end of the year	(7,679,491)	(11,032,149)

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of income and retained earnings.

The notes on pages 11 to 23 form part of these financial statements.

THE GEO GROUP UK LIMITED
REGISTERED NUMBER:02878845

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	5	225,420	107,360
Investments	6	1	1
		<u>225,421</u>	<u>107,361</u>
Current assets			
Stocks		92,708	122,792
Debtors	7	842,710	1,068,080
Cash at bank and in hand	8	836,111	705,223
		<u>1,771,529</u>	<u>1,896,095</u>
Creditors: amounts falling due within one year	9	(1,569,400)	(801,906)
Net current assets		<u>202,129</u>	<u>1,094,189</u>
Total assets less current liabilities		<u>427,550</u>	<u>1,201,550</u>
Creditors: amounts falling due after more than one year	10	(1,987,400)	(6,264,058)
Provisions for liabilities			
Provisions		(150,000)	-
		<u>(150,000)</u>	<u>-</u>
Net liabilities		<u>(1,709,850)</u>	<u>(5,062,508)</u>
Capital and reserves			
Called up share capital		125,003	125,003
Share premium account	13	2,225,058	2,225,058
Capital redemption reserve	13	2,919,580	2,919,580
Other reserves	13	700,000	700,000
Profit and loss account	13	(7,679,491)	(11,032,149)
		<u>(1,709,850)</u>	<u>(5,062,508)</u>

THE GEO GROUP UK LIMITED
REGISTERED NUMBER:02878845

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
22/1/2021

Brian Evans

B R Evans
Director

The notes on pages 11 to 23 form part of these financial statements.

THE GEO GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

The Geo Group UK Limited is a private company limited by shares and registered in England and Wales. Registered number: 02878845. Its registered head office is located at 1 St. James Court, Whitefriars, Norwich, Norfolk, England, NR3 1RU and the principal place of business is Dungavel House IRC, Muirkirk Road, Strathaven, ML10 6RF.

In 2011, the Home Office awarded the GEO Group (UK) Ltd an 8 year contract for the operational maintenance and management of Dungavel IRC (Immigration Removal Centre). That contract was due to terminate in September 2019. By agreement, the termination date was extended to September 2021 with revised fixed fees for extra staffing, medical services and a revised variable fee depending on occupancy. The Company is currently engaged with the Home Office in a bidding process to renew the contract from October 2021.

The Dungavel IRC project is a binding contractual arrangement to operate and maintain the facility and provide detainees with a safe and secure environment. The fee covers all the costs of operating, maintaining and managing the centre. Maintenance obligations include the replacement of equipment that has reached the end of its useful life and the maintenance of infrastructure to a standard that allows the Contractor to meet its obligations.

The GEO Group Limited employs the operational and maintenance staff required and supplements these resources with outsourced medical services and some specialist maintenance and repair services. The fixed monthly fee covers all these costs while the variable fee covers the variable fees associated with the direct costs of food and toiletries etc for the detainees.

The arrangement falls under the definition of a service concession arrangement under Section 34 of FRS 102.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

THE GEO GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.2 Going concern**

As part of their going concern assessment, the directors have prepared forecasts to assess the cash requirement to continue in operational existence for a minimum period of 12 months from the date of the approval of these financial statements. The directors have considered the potential impact of Covid-19 and Brexit on the forecasts, and believe that due to the nature of the business, neither event will have any significant negative impact on the business. The company has continued to operate throughout the pandemic with additional hygiene and social distancing measures. Brexit is unlikely to result in a reduction in demand for the companies services and this is reflected in the Home Office RFP for the contract renewal.

Should the need arise, the Company has received confirmation that The GEO Group Inc. will not recall any inter-company loans until such time as the Company has sufficient funds to repay those loans without impacting its ability to meet third party creditors obligations as they fall due. The GEO Group Inc. has also committed to provide further short-term funding, if required, for a period of at least 12 months from the date of approval of these financial statements, to enable the Company to meet any other financial obligations as they become due.

The directors acknowledge that the aforementioned forecasts and parental support are subject to the Company winning the re-tender of its sole revenue contract, which is due to expire in September 2021. The directors believe the Company have submitted a bid that provides value for money, and that the company is in a strong competitive position due to the start-up costs other vendors would need to incur, and the positive existing relationship with the customer developed through efficient delivery and commitment to the current contract obligations. However, the result of this tender process, in which the Company has invested a significant amount of management time, is not known at the date of approval of these financial statements.

As a result of the expiry of the current contract there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and therefore whether the Company will realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

Although it is uncertain whether the re-bid efforts will be successful, the directors have determined that the actions taken are sufficient to mitigate the inherent uncertainty, or the risk of any material assets not being utilised or fully written down by the end of the contract period, or any liabilities not being fully discharged. The directors have therefore prepared the financial reporting on a going concern basis.

THE GEO GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from contracts to provide services is recognised in the period in which the services are provided in accordance with agreed contract conditions, and when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Other income

Other income relates to the services performed in facilitating the installation or upgrade of assets in the Immigration Removal Centre. Other income is recognised proportionately based on the stage of completion of the relevant assets as at year end.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis(unless the remaining revenue contract period is shorter than the below in which case it is until the end of the revenue contract period):

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

THE GEO GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

THE GEO GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.10 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

THE GEO GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.13 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

THE GEO GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.16 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.18 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty**Dilapidations provision**

Due to additional repairs and refurbishments, beyond the normal maintenance requirements, that may be required to hand the facility back at the end of the contract term, the company has made a provision to cover any refurbishment backlog that may be necessary to address prior to termination of the current contract. This is managements best estimate based on a review conducted by an independent engineer and managements assessment of their contractual obligation.

THE GEO GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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4. Employees

The directors consider that they are the only key management personnel and are not remunerated through this company (2018: £Nil).

The average monthly number of employees, including directors, during the year was 89 (2018: 91).

5. Tangible fixed assets

	Computer equipment £	Plant & equipment £	Total £
Cost or valuation			
At 1 January 2019	109,737	341,109	450,846
Additions	38,849	176,527	215,376
At 31 December 2019	<u>148,586</u>	<u>517,636</u>	<u>666,222</u>
Depreciation			
At 1 January 2019	109,737	233,749	343,486
Charge for the year on owned assets	7,838	89,478	97,316
At 31 December 2019	<u>117,575</u>	<u>323,227</u>	<u>440,802</u>
Net book value			
At 31 December 2019	<u>31,011</u>	<u>194,409</u>	<u>225,420</u>
At 31 December 2018	<u>-</u>	<u>107,360</u>	<u>107,360</u>

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6. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	1
At 31 December 2019	1

This is an investment in The Geo Group Limited which owns the investment in the joint venture Geo Amey Pecs Limited

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7. Debtors

	2019 £	2018 £
Trade debtors	676,325	529,205
Other debtors	34,051	29,601
Prepayments and accrued income	132,334	509,274
	<u>842,710</u>	<u>1,068,080</u>

An impairment loss of £Nil (2018: £Nil) was recognised against trade debtors.

8. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>836,111</u>	<u>705,223</u>

9. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	272,094	166,886
Amounts owed to group undertakings	303,329	-
Corporation tax	-	15,262
Other taxation and social security	288,618	57,207
Other creditors	302,521	63,465
Accruals and deferred income	402,838	499,086
	<u>1,569,400</u>	<u>801,906</u>

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

	2019	2018
	£	£
Amounts owed to group undertakings	<u>1,987,400</u>	<u>6,264,058</u>

11. Provisions

Contingent Liability

The latest dilapidation survey on the condition of the site, prepared by an independent Engineer, identifies maintenance, refurbishment, replacement or repairs amounting to a sum of £2.3m that could be required by the end of the contract period in 2021.

The Geo Group UK Limited are of the view that the ongoing maintenance programme is adequate to meet the contractual obligations, or that the matters identified relate to basic infrastructure replacement that is not the responsibility of the Company. Therefore, the Company is satisfied that adequate funds are available to meet the contractual obligations and that the company is unlikely to incur significant additional maintenance costs during the remaining contract period above this dilapidation's provision.

However, it is possible that the Home Office could take a different view of the contractual obligations. Any dispute, which would exclude amounts for which the Home Office have accepted liability or have which already been completed, would be unlikely to exceed £1.44m.

12. Financial instruments

	2019	2018
	£	£
Financial assets		
Financial assets measured at amortised cost	<u>1,546,488</u>	<u>1,264,029</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,268,182)</u>	<u>(6,494,409)</u>

Financial assets measured at amortised cost comprise cash, investments in subsidiaries, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group companies.

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13. Reserves

Share premium account

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Capital redemption reserve

Capital redemption - records the nominal value of shares repurchased by the company.

Other reserves

Other - records a capital contribution from the parent.

Profit & loss account

Profit and loss account – includes all current and prior period retained profits and losses.

14. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £100,163 (2018: £86,007). Contributions totaling £47,390 (2018: £21,919) were payable to the fund at the balance sheet date and are included in other creditors.

15. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2019	2018
	£	£
Not later than 1 year	5,100	25,972

16. Related party transactions

Being a 100% owned subsidiary, the company has taken advantage of the exemption, as conferred by Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose transactions with other members of the group headed by The GEO Group Inc.

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17. Controlling party

The immediate parent undertaking is GEO International Holdings, LLC.

The ultimate parent undertaking and smallest and largest group for which consolidated accounts are available is the GEO Group Inc. The company is incorporated in the United States of America and is organised under the law of the state of Florida. Group accounts are available from The GEO Group, Inc. 4955 Technology Way, Boca Raton, Florida 33431, United States of America.

18. Post balance sheet events

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak as a pandemic. This is a non-adjusting post balance sheet event and the impact of Covid-19 has been considered by the directors as part of their going concern assessment. As described in the going concern accounting policy in note 2.2 the directors have considered the potential impact of Covid-19 on the forecasts, and believe that due to the nature of the business, it will have any significant negative impact on the business.