

# Financial Statements

## The Geo Group UK Limited

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For the Year Ended 31 December 2017

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**Registered number: 02878845**

**The Geo Group UK Limited**

## Company Information

<b>Directors</b>	G C Zoley B R Evans J D Donahue
<b>Company secretaries</b>	J J Bulfin and J Henney
<b>Registered number</b>	02878845
<b>Registered office</b>	100 New Bridge Street London EC4V 6JA
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditors 1020 Eskdale Road Winnersh Wokingham RG41 5TS
<b>Bankers</b>	Barclays Bank PLC PO Box 544 1 Churchill Place London EC3V 9EX
<b>Solicitors</b>	Baker & McKenzie 100 New Bridge Street London EC4V 6JA

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# **Strategic Report**

**For the Year Ended 31 December 2017**

## **Introduction**

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.

## **Business review**

The principal business activity of GEO UK during 2017 was the management of its contract with the Home Office for the operation of Dungavel House IRC. This included the negotiation and award of a contract extension at Dungavel until September 2019.

In April 2017, GEO UK submitted a tender to the Home Office for the Gatwick IRCs (Brook House and Tinsley House). We still await the official outcome of this competition.

Looking forward the company will continue to operate its contract at Dungavel House IRC and hold its investment in The GEO Group Limited.

The Home Office are expected to publish contract notices for 3 contracts, of interest to GEO UK, throughout 2018:

- Campsfield House IRC (expected April/May 2018)
- Dungavel House IRC (expected October 2018)
- Satellite Tracking Services (expected April 2018)

GEO UK continues to monitor the immigration and prison sector for emerging opportunities. We are additionally working with GEO Inc. to identify new business sectors within the UK market.

## **Principal risks and uncertainties**

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 to invest cash assets safely and profitably.

## Strategic Report (continued)

For the Year Ended 31 December 2017

### Financial key performance indicators

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

	2017	2016	Definition	Analysis
Change in Turnover (%)	-2%	-8%	Year on year change in turnover expressed as a %	Decreased turnover principally driven by the reduction in bed occupation.
Gross profit %	30%	28%	Gross profit expressed as a % of turnover	The gross margin increased mainly due to decrease in residential cost, in line with the lower occupancy.
Margin %	61%	-175%	Net profit expressed as a % of gross profit	The negative margin decreased as the prior year included significant one-off administration expenses, due primarily to foreign exchange movement.

### Going concern

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.

If required the company would be able to access additional funding from its parent, The GEO Group, Inc, as the company participates in the group's centralised treasury arrangements. 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 willingness 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.

This report was approved by the board on 17 April 2018 and signed on its behalf.

  
B R Evans  
Director

## **Directors' Report**

**For the Year Ended 31 December 2017**

The directors present their report and the financial statements for the year ended 31 December 2017.

### **Results and dividends**

The profit for the year, after taxation, amounted to £954,263 (2016: loss £2,578,525).

No dividend is payable for 2017 (2016: £Nil).

### **Future developments**

Information in relation to future developments is included in the Strategic Report.

### **Directors**

The directors who served during the year were:

G C Zoley  
B R Evans  
J D Donahue

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic report and 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 Financial Reporting Standard 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.

### **Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**The Geo Group UK Limited**

## **Directors' Report (continued)**

**For the Year Ended 31 December 2017**

### **Disclosure of information to auditor**

The directors confirm that :

- so far as the directors 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on **17 April 2018** and signed on its behalf.



**B R Evans**  
Director



## Independent Auditor's Report to the Members of The Geo Group UK Limited

### Opinion

We have audited the financial statements of The Geo Group UK Limited (the 'company') for the year ended 31 December 2017, which comprise the Statement of income and retained earnings, the Statement of financial position and the 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Independent Auditor's Report to the Members of The Geo Group UK Limited (continued)

### **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**

In our opinion, based on the work undertaken in the course of the audit:

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

### **Matter on which we are required to report by 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 Strategic report or the Directors' report.

### **Matters on which we are required to report by exception**

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:

- 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.



## Independent Auditor's Report to the Members of The Geo Group UK Limited (continued)

### **Responsibilities of directors for the financial statements**

As explained more fully in the Directors' responsibilities statement on page 3, 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.

### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

A handwritten signature in black ink, appearing to read "Mark Bishop".

Mark Bishop FCA (Senior Statutory Auditor)  
for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants

Statutory Auditors

Reading

Date: **24 APRIL 2018**

## Statement of Income and Retained Earnings

For the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	5,197,417	5,308,104
Cost of sales		(3,630,900)	(3,835,961)
<b>Gross profit</b>		<b>1,566,517</b>	<b>1,472,143</b>
Administrative expenses		(654,640)	(3,737,674)
<b>Operating profit/(loss)</b>	5	<b>911,877</b>	<b>(2,265,531)</b>
Interest receivable and similar income	8	79,307	137,448
Interest payable and expenses	9	(427,232)	(450,442)
<b>Profit/(loss) before tax</b>		<b>563,952</b>	<b>(2,578,525)</b>
Tax on profit/(loss)	10	390,311	-
<b>Profit/(loss) after tax</b>		<b>954,263</b>	<b>(2,578,525)</b>
Retained earnings at the beginning of the year		(10,897,048)	(8,318,523)
		(10,897,048)	(8,318,523)
Profit/(loss) for the year		954,263	(2,578,525)
<b>Retained earnings at the end of the year</b>		<b>(9,942,785)</b>	<b>(10,897,048)</b>

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of income and retained earnings.

The notes on pages 10 to 23 form part of these financial statements.

## Statement of Financial Position

As at 31 December 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	11	11	11
Investments	12	1	1
		<u>12</u>	<u>12</u>
<b>Current assets</b>			
Stocks	13	80,868	84,176
Debtors	14	2,355,260	5,989,727
Cash at bank and in hand	15	2,328,547	3,577,554
		<u>4,764,675</u>	<u>9,651,457</u>
Creditors: amounts falling due within one year	16	(453,719)	(591,670)
<b>Net current assets</b>		<u>4,310,956</u>	<u>9,059,787</u>
<b>Total assets less current liabilities</b>		<u>4,310,968</u>	<u>9,059,799</u>
Creditors: amounts falling due after more than one year	17	(8,284,112)	(13,987,206)
<b>Net liabilities</b>		<u>(3,973,144)</u>	<u>(4,927,407)</u>
<b>Capital and reserves</b>			
Called up share capital	19	125,003	125,003
Share premium account	20	2,225,058	2,225,058
Capital redemption reserve	20	2,919,580	2,919,580
Other reserves	20	700,000	700,000
Profit and loss account	20	(9,942,785)	(10,897,048)
		<u>(3,973,144)</u>	<u>(4,927,407)</u>

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



**B R Evans**  
Director

17 April 2018

The notes on pages 10 to 23 form part of these financial statements.

# Notes to the Financial Statements

For the Year Ended 31 December 2017

## 1. General information

The Geo Group UK Limited is a private company limited by shares and incorporated in England and Wales. The Registered Office is 100 New Bridge Street, London EC4V 6JA and the principal place of business is Dungavel House IRC, Muirkirk Road, Strathaven, ML10 6RF.

## 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 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 functional and presentational currency of the company is GBP sterling (£).

The following principal accounting policies have been applied:

### 2.2 Going concern

If required the company would be able to access additional funding from its parent, The GEO Group, Inc, as the company participates in the group's centralised treasury arrangements. 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 willingness to fund the company if required. These financial statements have been prepared on the going concern basis as a result of the continued support from the company's US parent.

### 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 a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract 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.

# Notes to the Financial Statements

For the Year Ended 31 December 2017

## 2. Accounting policies (continued)

### 2.4 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:

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 the Statement of income and retained earnings.

### 2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

### 2.6 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.

### 2.7 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.

### 2.8 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.

# Notes to the Financial Statements

For the Year Ended 31 December 2017

## 2. Accounting policies (continued)

### 2.9 Financial instruments

The Company only enters into basic financial instruments 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 non-puttable 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 financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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.

### 2.10 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.

# Notes to the Financial Statements

For the Year Ended 31 December 2017

## 2. Accounting policies (continued)

### 2.11 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 the Statement of income and retained earnings 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 the Statement of income and retained earnings within 'other operating income'.

### 2.12 Finance costs

Finance costs are charged to the Statement of income and retained earnings 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.

### 2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of income and retained earnings 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.

## Notes to the Financial Statements

For the Year Ended 31 December 2017

### 2. Accounting policies (continued)

#### 2.14 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 the Statement of income and retained earnings 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.

#### 2.15 Interest income

Interest income is recognised in the Statement of income and retained earnings using the effective interest method.

#### 2.16 Taxation

Tax is recognised in the Statement of income and retained earnings, 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.

## Notes to the Financial Statements

For the Year Ended 31 December 2017

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year are included below.

Critical judgements that management has made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognised in the financial statements relates to the following:

#### Deferred tax assets

The recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognise deferred tax assets depends on many factors, including the company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non-occurrence of such events in the future may lead to significant changes in the measurement of deferred tax assets.

#### Provisions

In recognising provisions, the company evaluates the extent to which it is probable that it has incurred a legal or constructive obligation in respect of past events and the probability that there will be an outflow of benefits as a result. The judgements used to recognise provisions are based on currently known factors which may vary over time, resulting in changes in the measurement of recorded amounts as compared to initial estimates.

#### Stocks

Management estimates the net realisable values of stock, taking into account the most reliable evidence at each reporting date.

### 4. Turnover

	2017 £	2016 £
Custody and offender management services	5,197,417	5,237,734
Escorting services	-	70,370
	<u>          </u>	<u>          </u>

All turnover arose within the United Kingdom.

## Notes to the Financial Statements

For the Year Ended 31 December 2017

### 5. Operating profit/(loss)

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

	2017	2016
	£	£
Depreciation of tangible fixed assets	-	18,667
Other operating lease rentals	74,113	55,630
	<u>74,113</u>	<u>55,630</u>

### 6. Auditor's remuneration

	2017	2016
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	20,500	19,800
Other services relating to taxation	6,750	6,750
All other services	1,300	1,200
	<u>8,050</u>	<u>7,950</u>

### 7. Employees

Staff costs were as follows:

	2017	2016
	£	£
Wages and salaries	2,352,826	2,529,269
Social security costs	212,515	244,632
Cost of defined contribution scheme	75,300	76,287
	<u>2,640,641</u>	<u>2,850,188</u>

The directors consider that they are the only key management personnel and are not remunerated through this company (2016: £Nil).

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

	2017	2016
	No.	No.
Number of administrative staff	18	19
Number of operational staff	72	82
	<u>90</u>	<u>101</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2017

## 8. Interest receivable

	2017 £	2016 £
Other interest receivable	79,307	137,448

## 9. Interest payable and similar charges

	2017 £	2016 £
Loans from group undertakings	427,232	450,442

## 10. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	(390,311)	-
<b>Total current tax</b>	(390,311)	-

### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit/(loss) on ordinary activities before tax	563,952	(2,578,525)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	108,561	(515,705)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(15,267)	379
Capital allowances for year in excess of depreciation	(59,448)	6,287
Utilisation of tax losses	(33,846)	-
Unrelieved tax losses carried forward	-	509,039
Other differences leading to an increase (decrease) in the tax charge	(390,311)	-
<b>Total tax charge for the year</b>	(390,311)	-

# Notes to the Financial Statements

For the Year Ended 31 December 2017

## 10. Taxation (continued)

### Factors that may affect future tax charges

The total losses carried forward of £15,406,351 (2016: £17,583,549) give rise to a potential deferred tax asset which is not being recognised as it does not satisfy the recognition criteria of FRS 102 as management do not expect the company to make a taxable profit in the foreseeable future against which to utilise this asset.

## 11. Tangible fixed assets

	Computer equipment £	Plant & equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2017	109,737	90,610	200,347
At 31 December 2017	109,737	90,610	200,347
<b>Depreciation</b>			
At 1 January 2017	109,737	90,599	200,336
At 31 December 2017	109,737	90,599	200,336
<b>Net book value</b>			
At 31 December 2017	-	11	11
At 31 December 2016	-	11	11

# Notes to the Financial Statements

For the Year Ended 31 December 2017

## 12. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2017	1
At 31 December 2017	<u>1</u>
<b>Net book value</b>	
At 31 December 2017	<u><u>1</u></u>
At 31 December 2016	<u><u>1</u></u>

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

## 13. Stocks

	2017 £	2016 £
Finished goods and goods for resale	<u>80,868</u>	<u>84,176</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2017

## 14. Debtors

	2017 £	2016 £
<b>Due after more than one year</b>		
Amounts owed by group undertakings	-	1,781,937
Amounts owed by joint ventures and associated undertakings	-	3,499,959
	<u>-</u>	<u>5,281,896</u>
<b>Due within one year</b>		
Trade debtors	10,786	10,786
Amounts owed by joint ventures and associated undertakings	1,655,534	-
Other debtors	146,333	164,643
Prepayments and accrued income	542,607	532,402
	<u>2,355,260</u>	<u>5,989,727</u>

## 15. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	<u>2,328,547</u>	<u>3,577,554</u>

## 16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	111,893	133,518
Bills of exchange	14,711	10,093
Corporation tax	15,264	-
Other taxation and social security	75,934	180,173
Other creditors	63,359	32,506
Accruals and deferred income	172,558	235,380
	<u>453,719</u>	<u>591,670</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2017

## 17. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Amounts owed to group undertakings	<u>8,284,112</u>	<u>13,987,206</u>

## 18. Financial instruments

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets measured at amortised cost	<u>4,141,200</u>	<u>9,034,881</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(8,459,364)</u>	<u>(14,153,232)</u>

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors, amounts owed by joint ventures and amounts owed by group undertakings.

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

## 19. Share capital

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Authorised</b>		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
125,003 Ordinary shares of £1 each	<u>125,003</u>	<u>125,003</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2017

### 20. 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.

### 21. 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 £75,300 (2016: £76,287). Contributions totalling £14,711 (2016: £10,093) were payable to the fund at the balance sheet date and are included in creditors.

### 22. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017	2016
	£	£
Not later than 1 year	43,470	40,340
Later than 1 year and not later than 5 years	25,972	19,786
	<u>69,442</u>	<u>60,126</u>

### 23. 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.

**The Geo Group UK Limited**

## **Notes to the Financial Statements**

**For the Year Ended 31 December 2017**

### **24. 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 One Park Place, Suite 700, 621 NW 53rd Street, Boca Raton, Florida 33487, United States of America.