



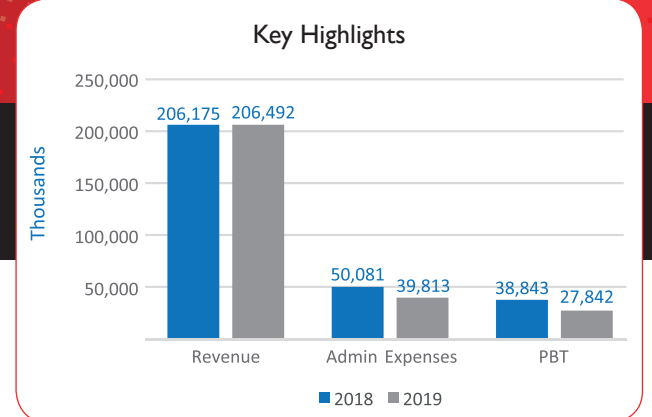
**G4S (Botswana) Limited**

# Audited Financial Statements

for the year ended 31 December 2019

## Financial Highlights | GROUP KPI'S

Revenue	Administrative Expenses	Manned Guarding PBT	Electronic Security Solutions Revenue	Manned Security Services Revenue
<b>0.15 % Neutral</b> <b>BWP206.4m</b> (2018: BWP206.1m)	<b>21% Reduction</b> <b>BWP39.8m</b> (2018: BWP50.1m)	<b>381% Growth</b> <b>BWP4.98m</b> (2018: BWP1.03m)	<b>8.35% Growth</b> <b>BWP61.1m</b> (2018: BWP56.3m)	<b>10% Growth</b> <b>BWP74.1m</b> (2018: BWP67.6m)



### STATEMENTS OF COMPREHENSIVE INCOME for the year ended 31 December 2019

	Year Ended 31 December 2019 (Audited) P'000	Year Ended 31 December 2018 (Audited) P'000
Revenue	206,492	206,175
Cost of sales	(140,750)	(122,026)
<b>Gross Profit</b>	65,742	84,149
Other income	896	1,697
Administrative expenses	(39,813)	(50,081)
<b>Profit from operations</b>	26,825	35,765
Finance expense	(2,195)	(15)
Finance income	3,211	3,093
<b>Profit before taxation</b>	27,842	38,843
Taxation	(7,721)	(9,337)
<b>Profit for the year</b>	<b>20,120</b>	<b>29,506</b>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income</b>	<b>20,120</b>	<b>29,506</b>
Profit attributable to:		
Equity holders of the parent company	19,778	29,101
Non-controlling interest	342	405
Basic and diluted earnings per share (thebe)	24.72	36.38

### STATEMENTS OF FINANCIAL POSITION for the year ended 31 December 2019

	Year Ended 31 December 2019 (Audited) P'000	Year Ended 31 December 2018 (Audited) P'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, Plant and equipment	12,743	12,231
Right-of-use assets	17,707	-
Goodwill	18,066	18,066
Deferred taxation	2,359	1,446
Total non-current assets	50,875	31,743
<b>Current assets</b>		
Inventories	4,452	2,231
Amount due from related parties	51,149	47,827
Trade and other receivables	34,905	31,447
Current tax receivable	3,255	47
Cash and cash equivalents	18,863	35,870
Total current assets	112,623	117,423
<b>Total assets</b>	<b>163,498</b>	<b>149,166</b>
<b>Equity &amp; liabilities</b>		
<b>Equity</b>		
Stated capital	1,805	1,805
Dividend reserve	-	-
Retained earnings	100,096	105,461
Non-controlling interest	2,355	2,013
Total equity	104,256	109,279
<b>Non-current liabilities</b>		
Finance lease liabilities	10,584	-
Operating lease accrual	-	1,966
Total non-current liabilities	10,584	1,966
<b>Current liabilities</b>		
Trade and other payables	26,400	27,199
Finance lease liabilities	12,466	-
Amounts due to related parties	9,792	9,926
Current tax liability	-	542
Operating lease liability	-	254
Total current liabilities	48,658	37,921
<b>Total equity and liabilities</b>	<b>163,498</b>	<b>149,166</b>

### STATEMENTS OF CASH FLOWS for the year ended 31 December 2019

	Year Ended 31 December 2019 (Audited) P'000	Year Ended 31 December 2018 (Audited) P'000
<b>Cash inflows from operating activities</b>	<b>36,367</b>	<b>40,316</b>
Finance expense	(2,195)	(15)
Taxation (paid)/refunded	(11,350)	(10,167)
Net cash inflows from operating activities	22,822	30,134
<b>Investing activities</b>		
Interest received	25	29
Acquisition of plant and equipment	(6,418)	(4,156)
Proceeds on disposal of motor vehicles and equipment	388	407
Net cash outflows from investing activities	(6,005)	(3,720)
<b>Financing activities</b>		
Payment on lease liability	(12,344)	-
Dividends paid	(21,480)	(18,328)
Net cash outflows from financing activities	(33,824)	(18,328)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(17,007)</b>	<b>8,086</b>
Cash and cash equivalents at beginning of year	35,871	27,785
<b>Cash and cash equivalents at end of year</b>	<b>18,863</b>	<b>35,870</b>

### STATEMENTS OF CHANGES IN EQUITY as at 31 December 2019

	Stated Capital P'000	Dividend Reserve P'000	Retained Earnings P'000	Total P'000	Non Controlling Interest P'000	Total Equity P'000
<b>Balance at 1 January 2018</b>	<b>1,805</b>	<b>9,600</b>	<b>85,088</b>	<b>96,493</b>	<b>1,608</b>	<b>98,101</b>
Total comprehensive income	-	-	29,101	29,101	405	29,506
Transactions with owners of the company:						
Dividends paid	-	(9,600)	(8,728)	(18,328)	-	(18,328)
Dividends proposed	-	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>1,805</b>	<b>-</b>	<b>105,461</b>	<b>107,266</b>	<b>2,013</b>	<b>109,279</b>
<b>Balance at 1 January 2019</b>	<b>1,805</b>	<b>-</b>	<b>105,461</b>	<b>107,266</b>	<b>2,013</b>	<b>109,279</b>
Adjustments (IFRS9 net of deferred tax)	-	-	-	-	-	-
<b>Restated Equity at the beginning of the financial year</b>	<b>1,805</b>	<b>-</b>	<b>105,461</b>	<b>107,266</b>	<b>2,013</b>	<b>109,279</b>
Total comprehensive income	-	-	19,778	19,778	342	20,120
IFRS 16 adoption	-	-	(4,696)	(4,696)	-	(4,696)
Deferred tax adjustment on adoption of IFRS 16	-	-	1,033	1,033	-	1,033
Transactions with owners of the company:						
Dividends paid	-	-	(21,480)	(21,480)	-	(21,480)
Dividends proposed	-	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>1,805</b>	<b>-</b>	<b>100,096</b>	<b>101,901</b>	<b>2,355</b>	<b>104,256</b>

### GENERAL INFORMATION

G4S (Botswana) Limited is a company registered under the Companies Act, 2003 of Botswana and domiciled in Botswana. This summarised financial information has been derived from the audited consolidated financial statements of the Group for the year ended 31 December 2019. The Group comprises the Company and its wholly-owned subsidiary.

The Group's external auditors, PricewaterhouseCoopers ('PwC'), have issued an unqualified audit opinion on the consolidated and separate financial statements of the Group and Company (respectively) for the year ended 31 December 2019. This summary has not been audited or reviewed by PwC and any investment or similar decisions by shareholders and investors should be based on consideration of the complete set of consolidated and separate financial statements, which is available for inspection at the company's registered office.

### BASIS OF PREPARATION

These financial statements for the period ended 31 December 2019 have been prepared in accordance to International Financial Reporting Standards and reasonable and prudent judgements and estimates.

### ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year. Amendments to IFRS effective for the financial year ending 31 December 2019 have been addressed during the year.

IFRS 16 "Leases" has been a key standard for adoption in the period beginning 1 January 2019, and G4S has adopted a modified retrospective approach, which allowed for a cumulative adjustment to be recognised at 1 January 2019 without restating prior period amounts or balances. Application of IFRS 16 has resulted in the on-balance sheet recognition of Right-of-use assets and Lease liabilities with respect to leases where the Group is a lessee. Such leases had previously been accounted for on a straight line expense basis.

In order to assess whether a contract is, or contains a lease, management determined whether the asset under consideration is "identified", which means that it is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantiate all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

### USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements require management to make judgements, estimates and assumptions that

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Auditors: PricewaterhouseCoopers Botswana: Plot 50371 Fairgrounds Office  
Park Gaborone Botswana

### BOARD OF DIRECTORS

G. Macholo\*, M. Magapa\*, T. Mbaakanyi\*, L. Mosetlhanyane\*, E. Ueckermann\*\*  
\* Motswana \*\* South African



# Financial Statements

## for the year ended 31 December 2019

G4S (Botswana) Limited

affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

### KEY HIGHLIGHTS & FINANCIAL PERFORMANCE

- Revenue relatively stable at 0.15% growth
- Administrative expenses decreased by 21%
- Electronic Security Solutions (ESS) revenue increased by 8.35%
- Manned Security Services (MSS) revenue increased by 10%
- Profit before Tax (PBT) decreased by 28%

Our 5-year strategic focus (2024) speaks to five pillars of **engaged employees, customer centricity, operational excellence, cost containment and profitable revenue growth**. The Revenue for the business stabilised for the FY 2019, with Manned Security Services (MSS) and Electronic Security Solutions (ESS), showing great growth of 10% and 8.5% respectively. This has been mainly due to our focus on operational excellence, which has resulted in, improved quality of services (QoS) in these two service lines in FY 2019. This was undone by the decline in the Cash business due to a decrease in cash in transit (CIT) category caused by an aggressive pricing regime by competition as well as closure of major retailers on the backdrop of harsh economic situation. The Facilities Management service line showed an expected decrease in revenue due to the cancellation of loss making contracts by G4S. The Cleaning business also showed a major decrease in revenue, driven by the losses of major contracts due to the citizen reservation drive.

Our continued drive in **operational excellence and cost containment** continues to bear fruit as witnessed by the overall reduction in administrative expenses by 21% year on year. This has been the trend for the last 2 years now and the restructuring carried out in 2018 bearing fruit. We continue to invest in leaner processes as well as automating some of our key processes. There were however significant rises to our cost of sale affected by many one-off actions. Our straight lining of IFRS 16 leases had an impact on the costs as the business renewed at least 60% of its fleet under a lease model. The IFRS 16 lease impact was P12m vs prior year. We also continued to clean up our balance sheet and this led to additional once-off costs of P10m, which affected our gross margin. The combined effect of the above non-trading expenses of about P24m affected our PBT and resulted in the decline of about P11m. The trading position of the business continues to be very healthy when one discounts the P24m once-off actions to our financials. Our MSS service line showed increase in its PBT mainly due to operational efficiency and great labour management practise last year. The ESS business recorded a major PBT reduction due to the cleaning up of its historical bad debt in the alarm business. Cash business showed a decline in PBT driven by revenue decline. The Cleaning business showed gross margin decline as well as PBT decline, which influenced the group's PBT position. Whilst the FMS profitability improved, it continued to garner losses for the business. Our strategy to reduce costs, while maintaining efficiency, to ensure a healthy bottom line in the group remains a priority.

### OUTLOOK

The group continues to focus on its five strategic pillars in line with delivering their 2024 strategy set out in 2019 and key to this is profitable revenue growth in 2020 and beyond. Our MSS business will continue to be the flagship revenue driver given the attraction of lucrative contracts in late 2019 and early 2020. We continue to build capability and focus around our technology solutions (integrated with MSS) and this will be the pinnacle of our revenue drive. Our Alarm Monitoring and Response (AMR) business continues to do well and will be boosted by the launch of new products and services in Q2 2020 to further support our innovation drive. A refocus of the cash management services on cash solutions for our clients and collaborating with banks to better service our customers will also help in growing the business. Our Cash 360 (Deposita) business which continues to do well will be revamped and integrated into mainstream banking systems to offer our customers value for their money. To support all these initiatives, a product management office has been set up to ensure timely project delivery and product development. Management will be re-organizing the Facilities Management and Cleaning business to curb the continued losses. This will be done taking in consideration the regulatory landscape and opportunities that exist in this space.

On cost containment and profitable revenue growth, we will continue to review our efficiency in our major business lines. Our MSS (Guarding) segment has had many customers with small or negative gross margins and we will realign this by putting more focus on top revenue customers that deliver significant profit contribution of the segment. We will further streamline and automate some of our key processes in the ESS and Cash business lines to improve our gross margins. The group will continue with increased efficiency in administrative expenses and expect a year on year reduction for the next 4 years.

The Board of Directors is extremely excited that the stabilization of the business over the last 3 years has delivered a very solid and stable run-rate business, which has created a great launch pad for our 5-year strategy launched last year. We remain alive to the implementation of the Private Securities Act (April 2020) which will level the playing field and even give us further impetus given the level of regulatory compliance that we are accustomed to.

### CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments have significantly increased due to the adoption of IFRS 16. Due to entering into binding contracts, we have recognised and disclosed amounts payable in the foreseeable future (up to 5 years) of P23m as at 31 December 2019.

### RELATED PARTY TRANSACTIONS

There has been no significant change in the nature of related party transactions from those reported in the annual financial statements for the year ended 31 December 2019.

### EVENTS OCCURRING AFTER REPORTING DATE

Following a number of such cases in neighbouring countries, Botswana recorded its first positive cases of COVID-19 infection on 30 March 2020. Until this date, which is subsequent to the financial year-end but prior to approval of the financial statements, the country had seen enforcement of a number of "social distancing" measures. These had not affected significantly on the country's overall business environment. While the private security services industry is allowed to continue operation under the State of Emergency regulations, the wide-ranging impact of the economic ramifications of this pandemic on its customers, employees and suppliers means that the Group's business will be significantly impacted.

The following determinations were made from the assessment carried out to determine areas of greatest impact from the COVID-19 pandemic:

- Reduced demand for asset-in-transit and cleaning services during period of limited economic activity allowed under the lockdown period of the State of Emergency, as many customers would not be operating as per normal;
- Ongoing reduced demand for services from customers operating in industries most heavily impacted by the restrictions on travel and even "strict social distancing", such as travel, leisure, hoteling and conferencing;
- Reduced ability to afford services, especially from individual and SMMEs customers resulting in termination of services and increased uncollectable debt; and
- Meeting significant costs of the Group's business establishment, including manpower costs and vital costs to priorities the health and safety of its workforce.

The Group has identified a number of measures available to it to limit the negative impact of these matters on its business, including:

- Cost saving measures, which can be implemented to reduce variable costs and increase efficiency;
- Financial aid offered by the Government of Botswana, including a three month wage subsidy; and
- Business growth opportunities arising from the increased need for the Group's hygiene services and manned security arising from the public health situation, as well as other new business gains made prior to declaration of the State of Emergency.

The Group has compiled cash flow forecasts for the near future and has stressed-tested these using a range of possible outcomes for the major impact factors identified above. Based on these forecasts, and after considering available liquid resources, which include

- Cash at bank;
- an unutilized BWP10,000,000 bank overdraft secured with Standard Chartered Bank Botswana Limited; and
- cash invested with G4S PLC Group Treasury, which is callable at the Group's option and – at the date of approving the annual financial statements – exceeded BWP50,000,000

In recognition of the unprecedented volatility and unpredictability of the current situation, the Group's Board Directors and Executive Management recognise that this assessment may change in the short-term. Accordingly, they will continue to monitor actively global, regional and domestic developments to ensure that the Group safeguards the interests of all its stakeholders in a responsible and calculated manner.

### SEGMENT REPORTING

A segment is a distinguishable component of the group that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographic segment) which is subject to risks and rewards that are different from those of other segments. The business activities are concentrated in the segment of security related services and are provided within the geographical region of Botswana, therefore geographical segmental information is not considered necessary.

Sales between segments are carried out at arm's length. The revenue from external parties reported is measured in a manner consistent with that in the income statement.

### SEGMENT RESULTS

GROUP Business Segments	Electronic Security Solutions	Manned Security Services	Cash Solutions	Facilities Management	Cleaning Services	Total Segments
2019	P'000	P'000	P'000	P'000	P'000	P'000
Sale of goods	2,584	-	4,713	-	-	7,297
Rendering of services	58,509	74,069	56,419	438	10,623	200,057
Inter-Segment	-	-	-	-	(862)	(862)
<b>Total revenue</b>	<b>61,094</b>	<b>74,069</b>	<b>61,132</b>	<b>438</b>	<b>9,760</b>	<b>206,492</b>

Profit before taxation	12,436	4,975	13,244	(4,719)	1,905	27,842
Depreciation owned	659	992	4,140	127	116	6,033
Depreciation lease	5,617	3,252	1,321	581	-	10,770
Finance income	993	1,204	994	7	13	3,211
Finance expense	(682)	(826)	(682)	(5)	-	(2,195)
Total assets	48,195	57,656	48,225	345	9,077	163,498
Total liabilities	(18,052)	(21,236)	(18,063)	(129)	(1,762)	(59,242)

GROUP Business Segments	Electronic Security Solutions	Manned Security Services	Cash Solutions	Facilities Management	Cleaning Services	Total Segments
2018	P'000	P'000	P'000	P'000	P'000	P'000
Sale of goods	3,241	-	4,977	-	-	8,218
Rendering of services	54,095	67,587	59,779	2,409	15,039	198,908
Inter-Segment	(951)	-	-	-	-	(951)
<b>Total revenue</b>	<b>56,385</b>	<b>67,587</b>	<b>64,756</b>	<b>2,409</b>	<b>15,039</b>	<b>206,175</b>

Profit before taxation	18,989	1,035	17,899	(1,448)	2,368	38,843
Depreciation	(692)	(1,268)	(3,891)	(84)	(210)	(6,145)
Finance income	1,361	773	928	31	-	3,093
Finance expense	(7)	(4)	(5)	(0)	-	(15)
Total assets	44,869	35,228	42,274	1,409	25,386	149,166
Total liabilities	(1,477)	(11,057)	(13,268)	(442)	(13,643)	(39,888)

The board recognises and acknowledges its responsibility for the Group's internal control systems. The responsibility for operating these systems is delegated to the executive director and management, who have confirmed that they have reviewed the effectiveness thereof. The directors consider that the systems are appropriately designed to provide reasonable assurance, as to the reliability of financial statements and assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded.

The effectiveness of the internal control system is monitored through management reviews, testing by internal auditors and external auditors' testing of appropriate aspects of the internal control systems during the course of their statutory examination of the Company and Group.

The directors have reviewed the Company and Group budget inclusive of the forecast cash flow for the year 31 December 2020. Based on this review, and in light of the current financial position, the directors are satisfied that G4S (Botswana) Limited is a going concern and have continued to adopt a going concern basis in preparing the financial statements.

The Board of Directors has reviewed and approved the financial statements for issue on 02 May 2020.

Signed on behalf of the Board of Directors

Gaone Macholo  
(Chairperson)

Mokgethi Magapa  
(Managing Director)

02 May 2020