INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF G4S (BOTSWANA) LIMITED

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of G4S (Botswana) Limited (the “Company”) and its subsidiary (together the “Group”) as at 31 December 2018, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

What we have audited

G4S (Botswana) Limited's consolidated and separate financial statements set out on pages 10 to 63 comprise:

- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Botswana Institute of Chartered Accountants’ Code of Ethics (the “BICA Code”) and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Standards Board for Accountants’ Code of Ethics for Professional Accountants (Parts A and B).
Our audit approach

Overview

Overall group materiality

- BWP 1,940,000, which represents 5% of consolidated profit before tax.

Group audit scope

- The Group consists of the Company and one operating subsidiary.
  Full scope audits were performed on both these companies.

Key audit matters

- Measurement of the expected credit loss allowance on trade receivables.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<table>
<thead>
<tr>
<th>Overall group materiality</th>
<th>BWP 1 940 000</th>
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<tbody>
<tr>
<td>How we determined it</td>
<td>5% of consolidated profit before tax.</td>
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<td>Rationale for the materiality benchmark applied</td>
<td>We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</td>
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How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In doing so, full scope audits were performed by the group team on the Company, and its operating subsidiary, G4S Facilities Management Botswana (Proprietary) Limited, as these could individually or in aggregate have a material impact on the consolidated financial statements.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<thead>
<tr>
<th>Key audit matter</th>
<th>How our audit addressed the key audit matter</th>
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<tbody>
<tr>
<td>Impairment of trade receivables</td>
<td>Our audit procedures included the following:</td>
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<td>● We obtained an understanding of and evaluated the design, implementation and operating effectiveness of the Group’s key internal controls relating to credit origination, credit control and debt collection;</td>
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<td>● We assessed management’s ECL impairment model against the requirements of IFRS 9 and found the model to be consistent with these requirements;</td>
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<td>● We tested the mathematical accuracy of Management’s ECL impairment model and found no exceptions;</td>
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<td></td>
<td>● We agreed the data utilised in Management’s ECL impairment model at 1 January 2018 and 31 December 2018 to supporting documents, calculations and other audited information and found no exceptions;</td>
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<td></td>
<td>● We challenged assumptions and judgements made by Management through discussion, comparison to data and our knowledge of the operations as gained through our audit in determining future expected loss rates using projections and found these to be reasonable;</td>
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This key audit matter relates to the consolidated and separate financial statements.

At 31 December 2018, the Group and Company recognised net trade receivables of BWP 28.9 million and BWP 26.9 million respectively, net of loss allowances of BWP 20.7 million and BWP 18.7 million, respectively.

The Group and Company adopted IFRS 9 - Financial Instruments (“IFRS 9”) to measure the allowance for impairment of trade receivables, for the first time in the 2018 reporting period.

The introduction of the impairment requirements of IFRS 9 require impairment allowances to be considered on an expected credit loss basis as opposed to the incurred credit basis previously adopted by the Group. This change in accounting policy required the Group and Company to develop an impairment model to calculate Expected Credit Losses (“ECLs”) and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the trade receivable.
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<td>The Group and Company applies the simplified approach and recognises lifetime ECLs for trade receivable balances. Trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics, by grouping days past due and also according to geographical location of customers. Expected loss rates are based on the payment profile of credit sales over the past 37 months before 31 December 2018 as well as corresponding historical credit losses during the period. These rates are then adjusted to reflect current and forward looking macroeconomic factors affecting the customer’s ability to settle the outstanding amount. Trade receivables are considered irrecoverable when the customer has not made any payment within 180 days from the date of invoice, where no alternative payment arrangements have been made and external collection efforts have failed. In determining the ECLs, key judgements were applied by the Group in selecting and applying an appropriate model and in determining the credit losses which are expected to be incurred upon final write-off of accounts. The allowance for ECLs on trade receivables was considered to be of most significance to the current year audit due to the first time adoption of the IFRS 9 requirements through application of the ECL modelling technique. Disclosures with respect to the application of IFRS 9 in determining the allowance for ECLs are disclosed in: ● Note 2 “Changes in accounting policy” ● Note 4 “Financial instruments and risk management</td>
<td>Credit Risk” ● Note 22 “Trade and other receivables”</td>
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<td>● We evaluated the adequacy of the financial statement disclosures, including disclosures of: - key assumptions, judgements and sensitivities; - the impact of the transition to IFRS 9 on the opening balances relating to trade receivables and retained earnings. We found these to be in line with relevant requirements.</td>
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</table>

- We evaluated the adequacy of the financial statement disclosures, including disclosures of:
  - key assumptions, judgements and sensitivities;
  - the impact of the transition to IFRS 9 on the opening balances relating to trade receivables and retained earnings.
  We found these to be in line with relevant requirements.
Other information

The directors are responsible for the other information. The other information comprises the information included in the G4S (Botswana) Limited Annual Consolidated and Separate Financial Statements for the year ended 31 December 2018, which we obtained prior to the date of this auditor’s report, and the other sections of the G4S (Botswana) Limited 2018 Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, 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.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 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 consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our
opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matter. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Practicing member: Rudi Binedell
Membership number: 20040091
30 April 2019
Gaborone