

**Primeserv Group Limited**  
(Incorporated in the Republic of South Africa)  
(Registration number 1997/013448/06)  
("Primeserv" or "the company")  
Share code: PMV    ISIN: ZAE000039277

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## **Acquisition of Lapace Group businesses and withdrawal of cautionary announcement**

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### **1. INTRODUCTION**

Shareholders are advised that on 24 April 2020, the Company, with its subsidiaries, Primeserv Denverdraft Proprietary Limited, Primeserv Employee Solutions Proprietary Limited and Primeserv Properties 1 Proprietary Limited (the "Purchasers"), entered into an agreement ("Agreement") with the Lapace Group, comprising Lapace Construction Proprietary Ltd, Lapace Ken Proprietary Limited, Lapace Let Proprietary Limited, Lapace Training Centre CC and Gamton Industries Proprietary Limited ("Sellers"), in terms of which the Purchasers will purchase the Temporary Employment Services and the Training Support Services businesses of the Sellers in regard to the clients named in the Agreement for a maximum purchase consideration of R10 million as set out in paragraph 4 below ("Purchase Consideration") ("Acquisition").

### **2. DESCRIPTION OF THE ASSETS**

The Temporary Employment Services and the Training Support Services businesses include certain fixed assets, primarily computer equipment, office furniture and equipment and artisan training and testing equipment (the "Tangible Assets"), client relationships and Temporary Employment Services and Client Service Level Agreements, goodwill and tradenames attaching to the businesses.

### **3. RATIONALE FOR THE ACQUISITION**

Primeserv has acquired the businesses in order to further enhance its operations in the artisan and skilled labour, temporary employment services sector. The Lapace Business has traded for, in excess of, 25 years and its skills base and industry relationships will add considerable value to the Primeserv artisanal and semi-professional temporary staffing services offering.

### **4. PURCHASE CONSIDERATION**

The Purchase Consideration is a maximum amount of R10 million, to be determined based on the net profit after tax achieved by the businesses in the financial years ending 30 April 2021, 2022 and 2023, to which a profit multiple of 3.75 will be applied and in respect of which an annual appreciation of profits of 12% per annum is required. The dates for determination of profits and the 12 month period to be included in the calculation may be deferred, for up to three months by agreement with the Purchasers, based upon the anticipated impact of COVID-19 restrictive business measures.

Payments will take place every six months, based upon the net profit after tax achieved at the close of each period and is payable within 30 business days of the

close of each period. There will be an initial payment in respect of the Tangible Assets acquired, in the sum of R629 920, as may be adjusted by an appointed professional valuator, payable on or before 16 June 2020.

The purchase price will be paid in cash from existing reserves and facilities of the Purchasers.

## **5. CONDITIONS PRECEDENT**

The Acquisition is subject to the fulfilment of the following outstanding conditions precedent ("Conditions Precedent"):

5.1 The completion of a due diligence by the Purchaser;

5.2 A major client of the Sellers confirming acceptance of the cession of rights and obligations under an agreement of cession and assignment;

5.3 Confirmation of insurability of the debtors of the businesses acquired;

5.4 The approval of the transaction by the Board of the Company.

The Conditions Precedent must be fulfilled, or waived to the extent possible by not later than 31 May 2020, unless the date for fulfilment is extended in writing.

## **6. EFFECTIVE DATE OF THE ACQUISITION**

The effective date of the Acquisition is 17 April 2020.

## **7. FINANCIAL INFORMATION**

The value of the net assets comprising the Tangible Assets as at 29 February 2020, being the date of the latest available management accounts, was R620 920. The date of the last annual financial statements of the Sellers is February 2019, April 2019 and June 2019, respectively. These annual financial statements were reviewed but not audited by the Auditors/Accounting Officer of the Sellers and due to the fact that the latest annual financial statements were too historical to present relevant financial information and were not coterminous in regard to year ends, reliance has been placed on the management accounts for the presentation of the information in this announcement.

The businesses realised a net loss before tax attributable to the Assets for the year ended 29 February 2020, in an amount of R 2 387 958. This amount was determined, based on the aggregated management accounts of the Sellers for the year ending 29 February 2020, adjusted for income and expenses of the Sellers in regard to elements of the businesses not acquired by the Purchasers.

Primeserv is satisfied with the quality of the management accounts from which the above financial information has been extracted.

## **8. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT**

The Agreement contains representations and warranties by the Sellers in favour of the Company which are standard for a transaction of this nature.

## **9. CATEGORISATION OF THE ACQUISITION**

The Acquisition is categorised as a category 2 transaction in terms of the JSE Limited Listings Requirements of the JSE Limited and is therefore not subject to shareholder approval.

## **10. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

Shareholders are referred to the cautionary announcements released on SENS on Friday, 6 March 2020 and renewed on 21 April 2020 and are advised that all the details of the Acquisition are published in this announcement, the cautionary is withdrawn and shareholders are no longer required to exercise caution when dealing in the Company's securities.

Illovo  
24 April 2020

Sponsor  
Grindrod Bank Limited