integrated report

2020

primeserv

guide to the report

navigating the six capitals

Primeserv creates value for its stakeholders by transforming the six capital inputs into a comprehensive range of Integrated Business Support Services. The successful delivery of these outputs to clients in many different sectors of the economy creates positive financial and non-financial outcomes for the organisation.

financial capital

Financial capital is the value of the equity and debt funding used to finance the Group's operations. Primeserv's conservative and controlled approach to its financial management – supported by integrated systems, processes and procedures – aims to secure the Group's profitability, cash flows, balance sheet, long-term growth potential and sustainability.

human capital

Human capital is the value of the people who work for us. In order to secure our human capital input and deliver on our value proposition to clients, we invest extensively in recruitment, retention and ongoing training and skills development, and employee wellness and advancement. Transformation, diversity and inclusivity are key human capital imperatives of the Group.

intellectual capital

Intellectual capital is the value of the intellectual property ("IP") inherent in the business, which includes the skills and experience of our staff as well as our products, services, systems and procedures. As a provider of Integrated Business Support Services, Primeserv has a deep understanding of the human capital value chain and actively participates in all human capital related industry and business bodies. We also retain highly specialised industry sector experts with decades of experience in many of South Africa's key economic sectors.

manufactured capital

Manufactured capital is the value of the infrastructure, equipment and systems used in the delivery of our services. In Primeserv's case, this value is vested mainly in the efficient, customised and client-centric systems used in our Shared Services hub. These enable the Group to provide efficient payroll processes and management information that enhances and then measures and monitors performance.

social and relationship capital

Social and relationship capital is the value vested in the Group's relationships, both within the organisation and with external stakeholders. Through our business activities we actively contribute to building social and relationship capital within Primeserv, within stakeholder groups and within the communities in which we operate. We do this by living the concept of transformation and championing diversity in every aspect of our business and by actively advancing youth and community development through our long-term Corporate Social Investment ("CSI") programmes.

natural capital

Natural capital is the value of the natural resources used by the Group in the process of doing business. This includes such resources as air, water, electricity, fuel and paper. The use of natural resources is carefully managed and we are driving awareness within the Group to make daily conscious choices in this regard.

introducing this report

We take pleasure in presenting the Primeserv Group Limited ("Primeserv" or "the Group") Integrated Report for the year ending 31 March 2020, which covers the performance of the Group and its subsidiaries, all of which operate within South Africa. This Integrated Report includes our annual financial statements, the analysis of these statements, and reports on our non-financial performance in key areas such as value creation, governance, risk management and compliance with the King Report on Corporate Governance for South Africa (2016) ("King IV").

material issues and stakeholder engagement

At Primeserv, we are committed to conducting our business in an ethical, transparent and responsible way so as to create long-term value for all of our stakeholders.

This report has therefore been compiled in compliance with the principles of integrated reporting as set out by the International Integrated Reporting Council ("IIRC"), which align with our strategy, purpose and values as a large employer operating in South Africa.

The report focuses on information that is material to the Group's business, and provides a concise overview of its performance, prospects and ability to create sustainable value for all its stakeholders. The legitimate interests of all stakeholders have been considered and all material information has been included in this Integrated Report.

preparation of the integrated report

The reporting frameworks set out in the following legislation and guidelines were considered when compiling this report:

- The Companies Act of South Africa (No. 71 of 2008)
- The Listings Requirements of the JSE Limited ("JSE Listings Requirements")
- The King Report on Corporate Governance for South Africa (2016) ("King IV")
- The International Financial Reporting Standards ("IFRS")
- The IIRC Integrated Reporting Framework

The contents of this report are broadly comparable with those of the 2019 Integrated Report.

assurance

Primeserv has implemented a combined assurance framework for the assurance of its Integrated Report. Further information about this framework is available on page 27.

The Board of Directors, assisted by the Audit, Governance and Risk Committee, is responsible for ensuring the integrity of each year's report. The audit opinion expressed by the external auditors is included in their audit report, which is published as part of the annual financial statements.

forward-looking statements

Certain statements contained in this report are forward-looking and have been included for the information of stakeholders. The Board believes these statements to be reasonable and accurate as at the date of publication. Final results could, however, differ materially from those set out in the forward-looking statements due to factors such as changes in economic and market conditions or changes in the regulatory environment.

These statements are not a guarantee of future performance and should be regarded as informed opinions based on Primeserv's business model, strategy and operating environment. Any subsequent oral or written forward-looking statements attributable to the Group or anyone acting on its behalf are qualified in their entirety by this cautionary statement.

Primeserv also accepts no responsibility for undertaking or distributing updates or revisions to any forward-looking statement contained in this report or to react to any changes in expectations, events, conditions or circumstances that have informed these forward-looking statements, which have neither been reviewed nor audited by the Group's auditors, Mazars.

contacts

Primeserv's executive directors for the reporting period were Merrick Abel (Chief Executive Officer – "CEO") and Raphael Sack (Financial Director – "FD"). They can be contacted at the Company's registered office.

Primeserv's Integrated Report 2020 is available in electronic format on the Group's website: www.primeserv.co.za and any queries regarding or related to the report are welcomed at the following email address: IR@primeserv.co.za.

approval of the integrated report

The Board of Directors acknowledges that it is responsible for ensuring the integrity of the Group's Integrated Report and has therefore carefully considered all of the relevant guidelines for integrated reporting. It is of the opinion that this report addresses all material issues and fairly presents the integrated performance and impacts of the organisation.

For and on behalf of the Board

DL Rose	M Abel	R Sack
Chairman	*CEO*	*FD*

29 September 2020

revenue
▲ 0.1%
R807.7
million

EBITDA
▲ 10%
R30.2
million

operating profit
▲ 8%
R27.3
million

profit before taxation
▲ 8%
R26.8
million

earnings per share ("eps")
▲ 20%
30.73
cents

headline earnings per share ("heps")
▲ 23%
32.08
cents

net asset value per share
▲ 20%
200
cents

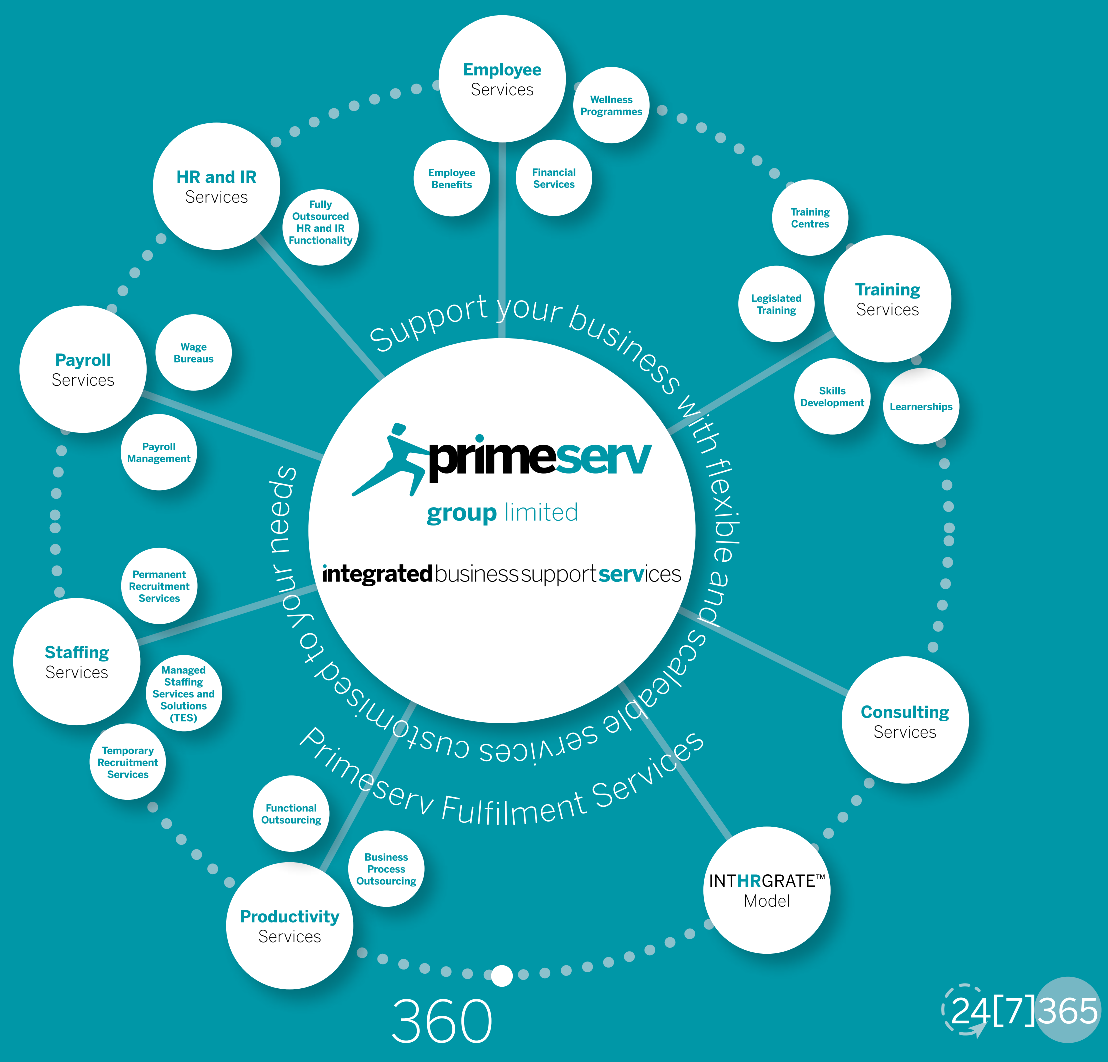
tangible net asset value per share
▲ 26%
166
cents

dividend per share
▼ 25%
3.0
cents

our business

Primeserv Group Limited is a JSE listed investment holding company that, through its national operations, provides market-leading Integrated Business Support Services designed to enhance the capabilities, productivity and performance of its clients.

Listed on the JSE for over 20 years
Strong empowerment credentials
Level 1 or 2 B-BBEE operating entities
Extensive national footprint
Specialised industry expertise
Client centric proprietary systems
Focus on client service excellence
Blue chip client partnerships



Primeserv is a well-established and innovative provider of customised Integrated Business Support Services focused on planning, implementing, managing and measuring human capital solutions for clients in a wide range of industries and sectors. Our services include a comprehensive range of staffing services, functional outsourcing and productivity solutions, skills training and consulting services, and related support services.

We develop customised, added-value solutions specifically designed to optimise human capital in order to improve the capabilities, efficiency, productivity and performance in the businesses and organisations of our clients. Partnering with an Integrated Business Support Services provider like Primeserv enables our clients to benefit from fully managed services and solutions and enables them to focus on their strategic objectives and core competencies.

our focus

Effective Integrated Business Support Services and particularly human capital management, is driven by several factors, including up to date knowledge, latest strategic thinking, skills, abilities, experience, intelligence and training, all of which enhance individual employability and the potential for career enhancement. Mindful of all these factors and the employment challenges facing both employers and employees in South Africa today, Primeserv focuses on skills and capacity development through training and learnership programmes, many of which are aimed specifically at our youth.

Primeserv's service offering is based on extensive industry knowledge and expertise, a collaborative approach to understanding clients' needs, ongoing innovation and a deep commitment to the development and successful advancement of people. In our business we foster a culture of inclusiveness, teamwork and a passion for excellence in client service, all in an environment driven by a philosophy of continuous improvement and conscious and responsible leadership at all levels.

our group structure

primeserv group limited

integrated business support services

Staffing Services

Training and Consulting Services

Shared Services

- Staffing Services
- Permanent Recruitment
- Temporary Recruitment
- Temporary Employment Services ("TES")
  - Contract Staffing
  - Project-based Staffing
  - Contingent and Full Site Services
  - Adhoc Labour Pools
  - Independent Contracting Services
  - Industrial Action/Strike Solutions
  - Business Continuity Services
  - Staff Express

- Related Fulfilment Services
  - Payroll Services
  - Wage Bureaus
  - Payroll Management
  - Productivity Services and Solutions
  - Functional Outsourcing
  - Business Process Outsourcing
  - Time and Attendance Systems
  - Customised Management Information
  - HR and IR Services
  - Mega-project Services
  - Employee Services
  - PPE and Health & Safety Services
  - Lifestyle and Employee Benefits
  - Wellness Programmes
  - Financial Services

- Shared Services
  - Corporate Office
  - Finance
  - Legal, Risk and Compliance
  - Information Technology
  - Human Resources
  - Marketing
  - Administration

360

- Training Services
  - Training Needs Identification
  - Implementation and Audits
  - Training Centres
  - Legislated Training
  - Customised Training Programmes
  - Training (at Primeserv Centres, online, or on-site at client)
    - ABET
    - Technical
    - Corporate
    - Management
    - Legislated
  - Learnerships
  - Skills Development
  - Skills Centres
  - Workplace Skills Plans
  - Innovation Hub

- Consulting Services
  - Human Capital Management Consulting
  - Strategic HR Planning
  - Skills Gap Analysis
  - Training Needs Advisory
  - Legislative Training Compliance
  - Performance Management
  - B-BBEE Advisory
  - Employment Equity Advisory
  - Remuneration Advisory
  - Development of Workplace Skills Plans

brands and trademarks

primeserv

integrated business support services

the Primeserv INTHRGRATE™ model

STAFF DYNAMIX

Denverdraft

BATHUSI STAFFING SERVICES

LAPACE est 1995

our value proposition

Primeserv is a leading provider of customised Integrated Business Support Services, which add value by enabling our clients to enhance their productivity, performance and profitability. We ensure that they are fully compliant with all relevant legislation and regulatory requirements. The value we add to our clients is based on our in-depth understanding of both their businesses and the complexities of human capital management. Within this context, we strive to develop and deliver cutting-edge systems and procedures that enable us to deliver optimal levels of service and to exceed expectations every day.

The basis of our services offering is our proprietary INT**HR**GRATE™ model, which is used to guide and support an holistic approach to human capital management and to determine the correct portfolio of services for each client. INT**HR**GRATE™ takes into account the client's business strategy, objectives and structure when a customised, effective solution is being developed for the organisation.

our competitive differentiators

By partnering with Primeserv, our clients gain a competitive advantage in their various market segments through our:

- Client-centric, customised services and solutions that enable the achievement of their strategic business objectives
- Market-leading customer service excellence supported by the proprietary Primeserv INT**HR**GRATE™ Model
- Extensive national operational network
- Deep-seated knowledge and experience in Integrated Business Support Services
- Up to date in-depth understanding and expertise of human capital management and related labour and regulatory issues
- Full legislative and regulatory compliance for full peace of mind
- Leading information and management systems customised to client requirements
- Robust monitoring against performance objectives to deliver enhanced performance and productivity
- Entrenched culture of diversity, inclusion and transformation
- Strong B-BBEE credentials

our brand

Now in its 22nd year as a JSE-listed company, the Primeserv brand has a long-established presence and credibility in the market as a leading provider of client-centric Integrated Business Support Services.

Our brand identity was successfully updated in 2018 to include a contemporary logo and logo iconography which reflect our strategic positioning. This identity and iconography has been successfully applied throughout all marketing and communication materials.

All marketing support material is aligned with our contemporary and dynamic design architecture and clearly communicates our approach to delivering market-leading Integrated Business Support Services. All presence and communication elements, both commercial and safety protocol related, have been extremely positively received by all stakeholders. A culture of conscious leadership underpins our brand positioning at all times.

The Primeserv difference lies in people, productivity and performance. It always has and it always will.

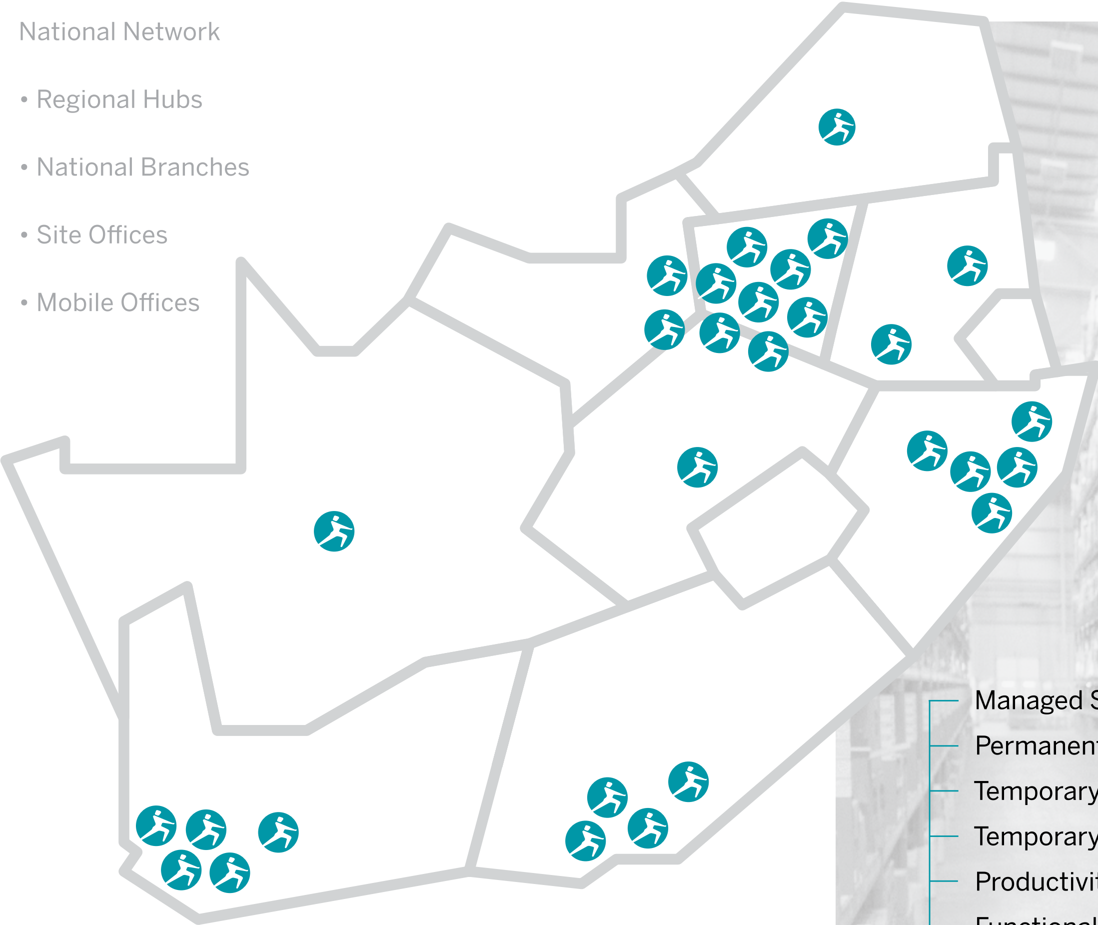
our pledge

- Demonstrate integrity in everything we do
- Work together to achieve common goals
- Celebrate innovation and cherish performance
- Perform with professionalism, skill and care
- Exceed customers' expectations every day
- Be conscious and respectful of our environment

our national footprint

National Network

- Regional Hubs
- National Branches
- Site Offices
- Mobile Offices



- Managed Staffing Services
- Permanent Recruitment
- Temporary Recruitment
- Temporary Employment Services
- Productivity Services
- Functional Outsourcing
- Business Process Outsourcing
- Payroll Services
- Time and Attendance Systems
- HR and IR Services
- Customised Management Information Reporting
- PPE and Health & Safety Services
- Mega-project Services
- Accredited Training and Skills Development
- Online Training
- Learnerships
- Human Capital Management Consulting
- Skills Development and Innovation Hub
- Lifestyle and Employee Benefits
- Wellness Programmes
- Financial Services

sectors and industries we service

- Agriculture
- Automotive
- Banking
- Building and Construction
- Design and Draughting
- Drivers and Transportation
- Engineering and Fabrication
- Facilities Management
- Financial and Insurance
- Food Production
- FMCG
- Government Services
- Harbours and Railways
- Hospital, Nursing and Medical
- Logistics and Distribution Centres
- Mechanical
- Mega-projects
- Merchandising
- Mining
- Paper and Pulp
- Petrochemical
- Pharmaceutical
- Power Generation
- Retail and Wholesale
- Secretarial and Office Support
- Tourism and Hospitality
- Telecoms
- Telemarketing and Call Centres
- Warehousing
- Waste Management

Primeserv creates value by using six key capital inputs, namely financial, human, intellectual, manufactured, social & relationship and natural capital. We transform these through our business activities to create a set of outputs in the form of products and services. Efficient delivery of these products and services creates added-value outcomes for the business and all its stakeholders.

our strategy

strategic intent

Primeserv's strategic intent is to deliver a reasonable and sustainable return on investment for our shareholders and benefits for other stakeholders by:

- Establishing, maintaining and growing, where possible, a sound financial position in order to facilitate both organic and acquisitive growth
- Investing in intellectual capital
- Securing and developing industry-specific skills
- Maintaining strong and experienced executive and management teams supported by a skilled and capable staff complement
- Securing, maintaining and developing short- and long-term contractual business to deliver real and consistent growth in earnings

Our strategy is ultimately aimed at unlocking value for shareholders through dividend distributions and capital growth

strategic objectives

Our strategic objectives are to:

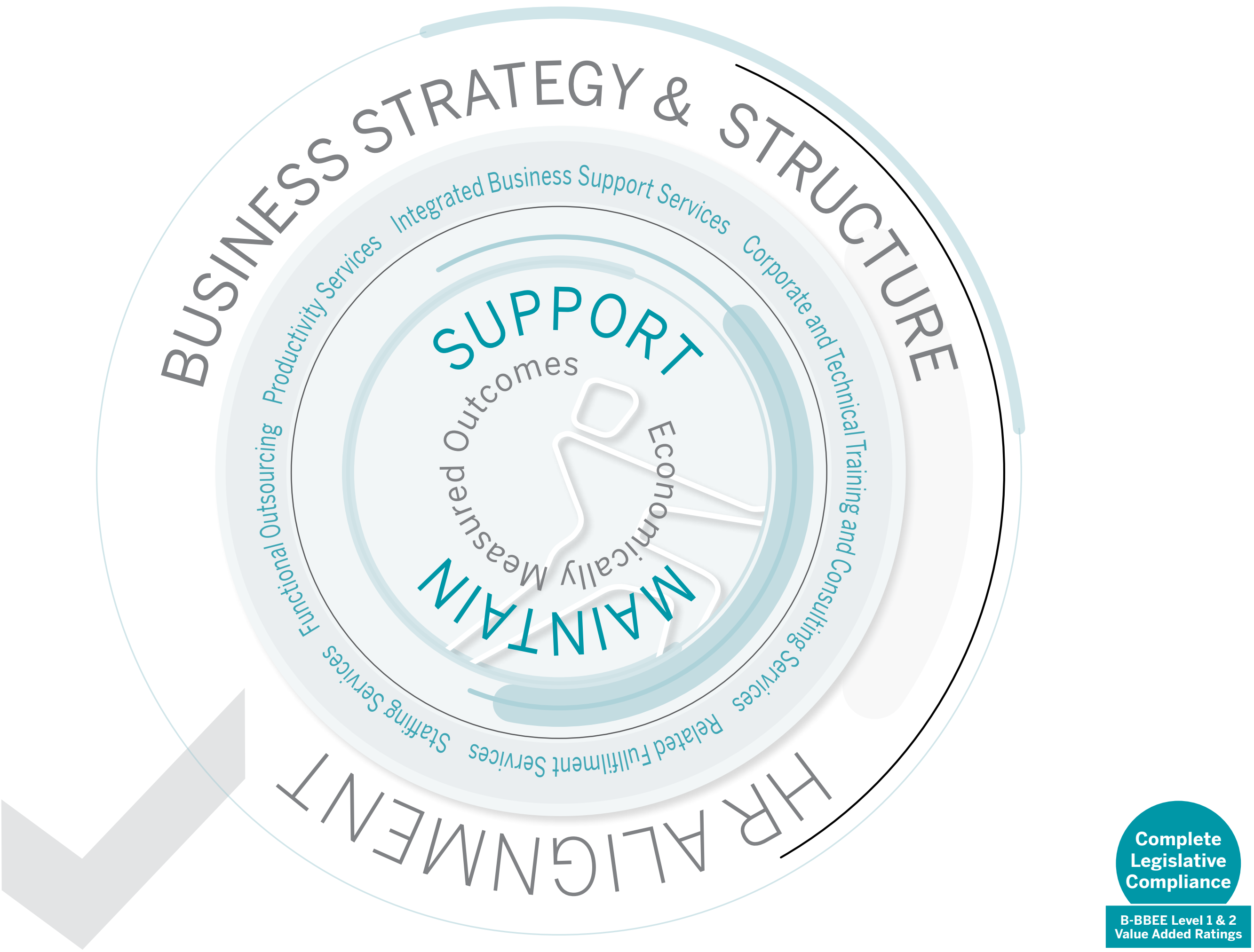
- Deliver economically measurable value to our clients
- Seek to effect a process of continuous innovation
- Constantly align our products and services to our clients' strategic objectives in order to meet their specific needs
- Evolve our services offerings in line with the constantly changing labour environment
- Continuously expand our client base and market reach
- Diversify our services offering to include higher margin businesses
- Be an employer of choice in South Africa
- Enhance and effect meaningful transformation, diversity and inclusion
- Advance youth employment in South Africa
- Partner with clients to support economic growth in South Africa

strategic implementation

We deliver on our strategy by focusing on and executing:

- Strong values and ethics
- Financial discipline and the maximisation of efficiencies
- A performance-driven culture in a nurturing environment
- Frequent and meaningful interaction with clients in order to align our products and services to their needs and to provide optimal client care and service excellence
- In-depth knowledge of market dynamics
- Targeted benchmarking to ensure that products and services are aligned to clients' needs and international best practice
- Market-leading technology that enhances the delivery of our services
- Representation on key industry bodies
- Market, client and staff surveys to assess internal performance relative to desired outcomes

our INTHRGRATE™ model



Our proprietary client management model, Primeserv INT**HR**GRATE™, informs and supports our services offering to our clients, whether they need a fully integrated and comprehensive solution or a modular service. This is offered at no extra cost to our clients.

our business model

Primeserv's business model drives our process of value creation. It utilises inputs that have been defined in accordance with our strategy and operational business plans to create outputs in the form of products and services. The process of converting inputs into outputs using operational resources produces outcomes, both for the business and its stakeholders.

inputs

Equity funding
Debt funding
Internal cash resources

Experienced executive and management teams
Suitably qualified, well-trained and capable personnel
Carefully selected and managed assignees
Reliable and compliant suppliers and service providers
Continuous training and skills development
Staff career advancement programmes

Proven leadership skills
Ethical values and responsible leadership
Sound business strategy
Implementable business plans
Risk management processes and procedures
Corporate governance aligned with international best practice

Enabling technology
IT hardware
Proprietary IT systems and software
Vehicles and transportation
Tools and equipment
Infrastructure

Strong organisational and company specific culture
Positive employee relations
Collaborative partnerships
Active and constructive relationships with government, labour and employer organisations
Active memberships of industry bodies
Established CSI programme
Covid-19 specific health and safety processes and protocols

Air
Water
Electricity
Fuel
Paper
Reduce Reuse Recycle

business activities

Strategy development and implementation
Tactical business plan development and execution
Investment and financial management
Risk management and mitigation processes
Client needs assessment
Development, provision, management and monitoring of customised and Integrated Business Support Services
Resource allocation
Brand management
Marketing
Logistics
Administration

impacts on our business

Macro-economic and socio-economic conditions
Political instability
Unstable labour environment
Labour legislation and regulations
B-BBEE compliance requirements
Digitisation and automation
Local and international governance requirements
JSE Listings Requirements
Covid-19 pandemic

operating environment

Geared to macro-economic conditions
Highly competitive and price sensitive
Hampered by skills shortages
Influenced by disruptive technologies and automation
Characterised by low growth and high levels of unemployment
Covid-19 pandemic restrictions

outputs

A comprehensive range of primarily human capital related Integrated Business Support Services delivered through the Group's national infrastructure:

Human capital consulting services

Functional outsourcing services

Business process outsourcing

Productivity services

Staffing and recruitment services

Accredited training and skills development services

Payroll management services

Fulfilment services

Shared services

Performance and productivity monitoring

Real-time and in-depth management reporting

Labour market research

outcomes

Business stability
Sustainable revenue and profits
Robust balance sheet
Fair remuneration
Tax contributions
Long-term sustainability
Value creation
Dividends to shareholders

Employment opportunities
Staff retention
Youth advancement
Continuous skills development
Enhanced efficiency and productivity
Fair labour practices
Individual and collective empowerment
Transformation, Diversity and Inclusion

Proprietary INT**HR**GRATE™ operating model
Unique intellectual property
Customised and proprietary systems and procedures
Legal and regulatory compliance
Influence in the labour industry

Modern, connected regional hubs
National branch network
Client-specific sites
Mobile sites
Shared services hub
Innovation hub
Technologically advanced training centres
Online training
Innovative systems and technology
Continuous benchmarking of expertise and service excellence

High B-BBEE ratings
Employer of choice
Social and economic transformation
Socio-economic growth and development

Planned and well-managed use of natural resources
Caring for the environment
Working towards a better planet for all

our stakeholders

At Primeserv, our Integrated Business Support Services business is fundamentally about people and the productivity and performance they deliver. Operating successfully means that we have to purposefully manage a complex network of critical relationships and partnerships. We therefore actively engage with all of our stakeholder groups in order to gain the insight necessary to inform our strategic, tactical, risk and mitigation management and organisational development decisions. Our valued stakeholders are detailed as follows:

employees

This group includes all of our permanent and contract employees, our assignees, our shared services teams and our operational and management teams.

what they mean to us

Human capital is one of our most important inputs and our employees are essential to the sustainable success of our business. We believe that excellent employee care and wellness fosters excellent service which, in turn, fosters positive outcomes for both the Group and its clients. Developing, motivating and retaining our people is a value-driven business goal for the Group, our clients' businesses, broad-based economic growth and social development.

we engage with our employees through:

- A formal onboarding and induction programme
- A formal performance management and mentorship programme
- A comprehensive internal communications programme
- Staff events

we create value for our employees by providing:

- A wide range of employment opportunities, including first-time employment opportunities
- Active and engaged performance management, coaching and mentorship
- General and industry-specific training and skills development
- Fair and rewarding performance-related remuneration and incentives
- Managed career development
- An innovative, supportive and safe working environment
- Transformation initiatives, incorporating a focus on diversity and inclusion initiatives

clients

Our clients include local businesses and corporations, multinationals, government, state-owned enterprises and municipal-owned entities.

what they mean to us

Our clients are the cornerstone of our business and their success is the greatest measure of our own success. We have long-term relationships and partnerships with our clients and constantly evolve our products and services to meet their changing needs.
We also actively engage in attracting new clients to facilitate both organic growth and onward referrals.

we engage with our clients through:

- Dedicated client relationship managers
- Our client support services system
- A comprehensive communications and direct marketing programme
- Industry associations
- Managed media coverage

we create value for our clients by providing:

- Customised, fully managed, Integrated Business Support Services and solutions
- Greater business capability and resilience
- Increased competitiveness
- The ability to focus on their core competencies and activities while we manage their human capital requirements
- Service excellence backed by continuous monitoring and benchmarking of services using reliable systems
- Product and service offerings that provide solutions that address evolving business needs and objectives
- On-time and uninterrupted services
- Legislative and regulatory compliance

shareholders and potential investors

This group includes our shareholders and the investment community.

what they mean to us	we engage with our shareholders and potential investors through:	we create value for our shareholders by providing:
A stable major shareholder base is essential to our success and sustainability. A sound relationship with the investment community enhances our ability to raise capital in the market if necessary.	• Direct communications • SENS announcements • Results announcements • Managed media coverage • The Primeserv website • Social media platforms	• A return on investment • Business sustainability • Diversified growth opportunities • Compliance with legislative and regulatory requirements

government and regulators

This group includes government and various industry regulatory bodies.

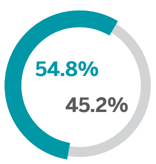
what they mean to us	we create value for government and regulators through:
As the custodian of labour legislation and regulations, government is a key stakeholder in Primeserv's business. We actively engage and collaborate with government and regulators to ensure that legislation and regulations protect and advance the interests of both labour and businesses.	• Compliance with legislation and regulation • Tax contributions • Facilitating transformation • Job creation • Youth employment, which is a key national priority

communities

This group encompasses the communities in which we operate.

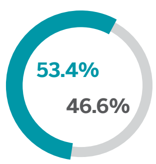
what they mean to us	we create value for communities by:
Creating shared value is beneficial to both Primeserv and the communities in which it operates. This contributes towards broad-based socio-economic development and secures the kind of stable operating environment in which both individuals and businesses can be successful.	• Providing financial support to community skills development initiatives • Including communities in the value chain through employment, procurement or CSI initiatives that directly benefit locals, in particular the youth

shareholders 2020



- directors, management and treasury shares
- individuals and other corporate bodies

shareholders 2019



- directors, management and treasury shares
- individuals and other corporate bodies

how we manage risk

Primeserv's full risk management measures are outlined on pages 26 to 28. A summary of the most significant risks the Group faces and the processes it has in place to manage these are indicated in the risk matrix below.

risk	management and mitigation measures
Labour legislation	Primeserv is fully compliant with existing labour legislation and regulations, and we will ensure that we maintain compliance should either legislation or regulations change.
Ability to attract and retain key staff and historically disadvantaged individuals ("HDIs")	Primeserv is well established in the market as an employer of choice and we consistently work to retain this position. We also have a formal recruitment and retention plan, which is supported by an active training and development plan. We provide learnerships in order to attract and develop young people.
Skills shortages	Most of our business units continue to be affected by skills shortages and we therefore consistently invest in employee development, as well as in community skills development programmes. A dedicated skills development and training unit facilitates employee skills development and upliftment.
Security of IT systems	Primeserv outsources its primary IT requirements to a highly skilled and experienced IT team which has developed systems that are specific to our business. Hardware and software are continually updated and tested to ensure optimal capability and efficiency. Advanced cybersecurity systems are in place to protect our IT systems, wherever possible, from both internal and external threats.
Creating, maintaining and securing business sustainability	Primeserv has uniform sustainability targets that have been developed with the business's strategy, values and objectives in mind. Monitoring, measuring and improving sustainability is the responsibility of the Social and Ethics Committee and its decisions are monitored by the Board. Both internal and external surveys are carried out to measure sustainability metrics and to facilitate improvements where required.
Maintaining an effective system for the collection of sustainability data	Primeserv has a centralised HR, IR, administration and payroll platform that supports our national operational footprint and enables us to collect all relevant data. Dedicated modules enable us to interface directly with our staffing related systems and databases. Improvements to data definitions and the data collection process are ongoing.
Covid-19 pandemic	Comprehensive health and safety operational protocols were developed and implemented at the very outset of the pandemic in order to maximise the safety of all stakeholders. An internal communication campaign was developed to keep safety protocols as well as staff motivation top-of-mind. A LinkedIn campaign was developed to keep clients and stakeholders informed.

primeserv

shareholders and stakeholders

board of directors

independent non-executive director
David Rose Chairman

non-executive directors
Letepe Maisela
Brenda Kali

executive directors
Merrick Abel CEO
Raphael Sack FD

audit, governance and risk committee

David Rose Chairman
Letepe Maisela
Brenda Kali

remuneration and nominations committee

Letepe Maisela Chairman
Brenda Kali
David Rose

social and ethics committee

Brenda Kali Chairperson
Letepe Maisela
Merrick Abel

executive directors

exco

integrated business support services

- operational unit executives
- business unit management teams
- national hub and branch network

supported by shared services

our board

non-executive directors

1. David L Rose^#¤
Chairman

BCom, BA, CA(SA), F.Inst.D

Appointed: February 2005

David is an independent consultant who was employed at Fisher Hoffman, a major national firm of Chartered Accountants, for 41 years. He became a partner in the firm in 1970 and was Managing Partner of the Johannesburg office as well as Chairman of the national practice from 1991 to 1998. He was also an independent non-executive director of Super Group Limited until 2019 and the Chairman of its Audit, Risk and Social and Ethics Committees.

2. Letepe M Maisela#¤*

BA (Social Sciences) (Harvard Business School, PMD)

Appointed: December 2008

Letepe is the Managing Director of Village Management Consulting Proprietary Limited and has 29 years of experience in marketing and management consulting. He is also the founder and Chairman of Tsabatsaba Holdings Proprietary Limited, the Chairman of International Finance Group and a director of Reutech Limited, Kayamandi Resources and is the Chairman of Tshwane Hub of Arts.

3. Brenda Kali^#¤*

Appointed: March 2019

Brenda is the CEO of Conscious Companies and the founder of the Conscious Leadership Academy. Her twenty five year tenure as an executive saw the reputational turnaround of major companies including Sasol and Telkom where she spearheaded its reputational transformation. She was CEO of the Children's Media Council in the Office of the President largely responsible for the implementation of the Global Movement for Children with UNICEF. She was also part of the transformation team at the national broadcaster as SABC 1 Head of Programmes from 1994 to 2000. Brenda was on the Board of the South African Chamber of Commerce and Industries and is currently on the Board of Project Literacy, a 45 year old NGO.

executive directors

4. Merrick Abel*
CEO

BA (Hons), MBA

Appointed: August 1997

Merrick is a director of both Primeserv Group Limited and several Primeserv subsidiaries. Since founding the Group in 1997, he has served as Chief Executive Officer and was also Executive Chairman from 2000 to 2003. From April 2015 to March 2016, while the Group was finalising the Board component of its transformation strategy, he fulfilled the role of Acting Chairman. Merrick has over 30 years of both local and international business experience, predominantly in the industrial and services sectors.

5. Raphael Sack
FD

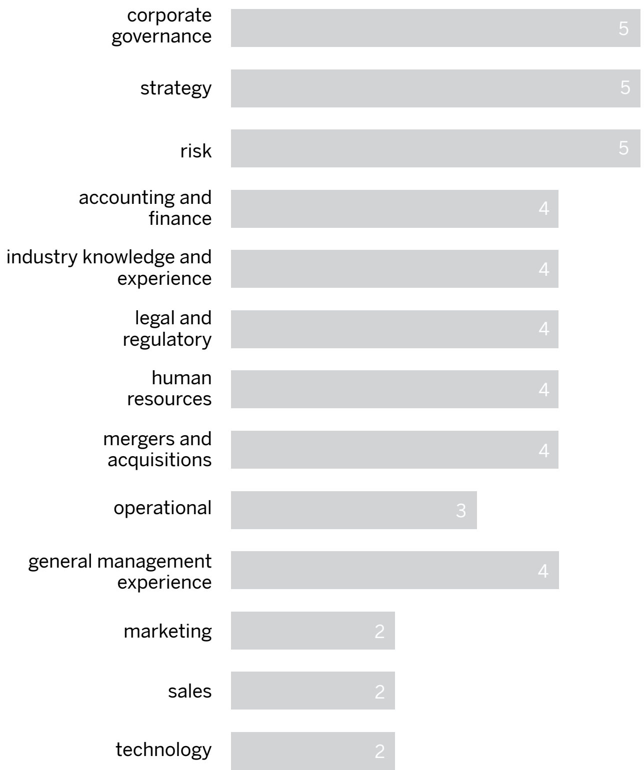
BCom, BCompt (Hons), CA(SA)

Appointed: June 2009

Since his appointment to the Group in 2006, Raphael has been a director of several Primeserv subsidiaries. Before joining the Group, he was the Financial Director of a number of other companies, including Spanjaard Limited.

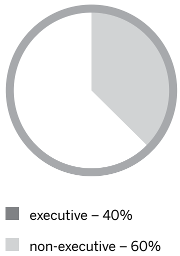
^ Independent Non-Executive # Audit, Governance and Risk Committee ¤ Remuneration and Nominations Committee * Social and Ethics Committee

board skills
(number of directors) as at 31 March 2020

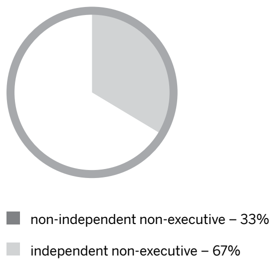


board tenure
(number of directors) as at 31 March 2020

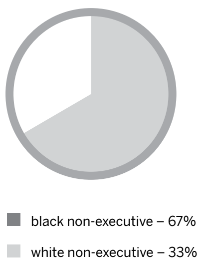
directors
as at 31 March 2020



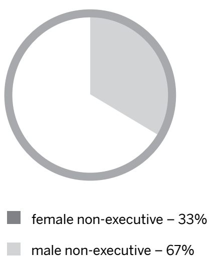
independence
as at 31 March 2020



race
as at 31 March 2020



gender
as at 31 March 2020



"A robust strategic vision and strong operational performance, which have provided the basis for the upward momentum enjoyed in previous years, once again ensures the delivery to our shareholders of a highly satisfactory performance."

David Rose *Chairman*

While reviewing Primeserv's performance during the 2020 financial period, I have been acutely aware of the significance of this time period for the majority of South Africa's companies. In retrospect, it signalled a critical juncture in determining the likelihood of their survival in the face of the Covid-19 pandemic and resultant economic shutdown. Primeserv is fortunate in that the 2019-2020 financial year has placed us in a position of strength from which to manage this most unlikely of global shocks. A robust strategic vision and strong operational performance, which have provided the basis for the upward momentum enjoyed in previous years, once again ensures the delivery to our shareholders of a highly satisfactory performance. As South Africa and the world grapple with the effects (and after-effects) of Covid-19, Primeserv's current financial position is set to effect a solid recovery in the post-Covid-19 environment.

Unfortunately, South Africa's economy was ailing well before the financial blow dealt it by the Covid-19 pandemic. The 2019-2020 financial year was characterised by a stagnating gross domestic product ("GDP"), surging unemployment figures, plummeting business confidence, and the downgrade of South Africa's last remaining sovereign credit rating to sub-investment grade (with a negative outlook) by rating agency Moody's.

In 2019, the South African economy grew by 0.2% in real terms, which was less than the 0.8% growth seen in 2018. Contractions of 0.8% and 1.4% in the third and fourth quarters of 2019, respectively, were closely followed by a further contraction of 2.0% (two percent) in the first quarter of 2020.

The country was technically in a recession by the end of 2019 with just three out of ten industries able to demonstrate growth, namely, finance, personal services and mining. The additional pressures resulting from the Covid-19 pandemic and South Africa's "hard lockdown" in the first quarter of 2020, reversed the mining sector's small gains with a decline of 21.5%, the sector's largest slump in six years. In the same period, manufacturing activity decreased by 8.5%, its third consecutive quarter of negative growth, and the construction industry registered its seventh consecutive quarter of economic decline as it slipped by 4.7%. The overall trade industry (which includes food and beverages, wholesale, motor trade, retail and accommodation) shrank by 1.2% in the first quarter of 2020 (StatsSA).

Although five industries were able to make a positive contribution to GDP in the first quarter of 2020, this was slight: both personal services, and transport and communications grew by 0.5%, government by 1.0% (one percent) and the financial industry by 3.7%. The agricultural sector proved to be an exception, with an astonishing 27.8% growth recorded in the first quarter of 2020 on a seasonally adjusted and annualised basis. This is encouraging given the 6.9% contraction year on year in 2019, where four consecutive quarters of contraction came on the back of factors such as drought and foot-and-mouth disease.

Yet it is South Africa's high unemployment rate that brings into sharp relief the depth of our socio-economic challenges, in particular the plight of our country's youth (aged 15 to 34 years) who are most affected by joblessness. The unemployment rate for this age group stood at 39.6% in the first quarter of 2019. By the first quarter of 2020 the figure had risen to 43.2% (StatsSA).

Respected economist Mike Schussler noted this year that the country's unemployment rate has been 20% (twenty percent) or higher for two decades, placing South Africa in the unenviable position of being the only country in the world to have experienced these levels over such a prolonged period of time. In the first quarter of 2020, South Africa's unemployment burden grew to 30.1%. This is double that of any other large economy operating in the world today. (Greece is the next highest of the major economies, with 14.5% unemployment.) (Engineering News)

Finding solutions to ease South Africa's unemployment crisis is a national imperative that requires a concerted effort from all stakeholders, across all sectors. In this context, Primeserv continues to be a key role player in advancing employment opportunities, most especially amongst the country's youth who are at risk of becoming disengaged from the labour market. This is evidenced in statistics from the first quarter of 2020 which indicate that 1.9 million out-of-work youngsters were discouraged from actively seeking employment (StatsSA). Primeserv's focus on youth training and development initiatives, along with the placement of first-time job seekers, remains a critical component of the Group's purpose.

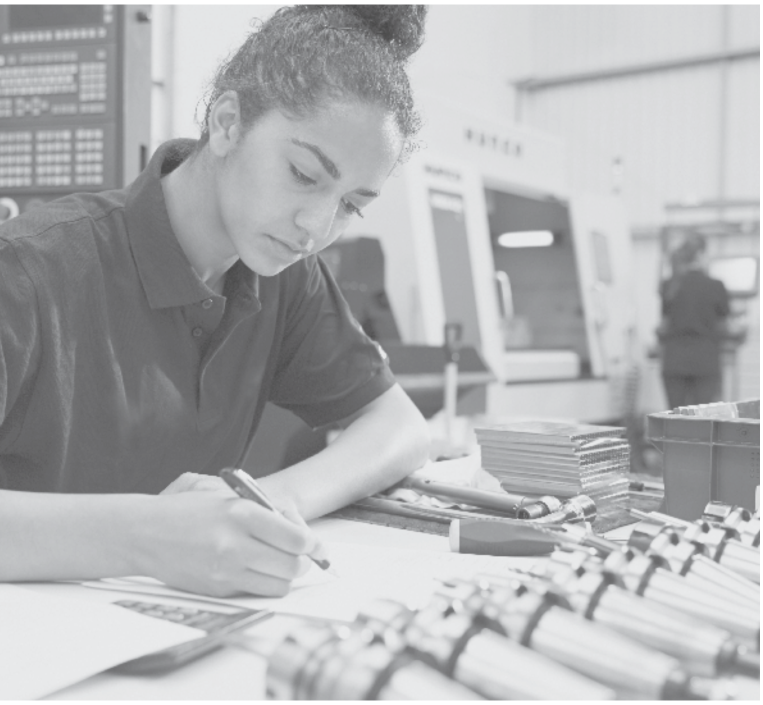
Unsurprisingly, business confidence in South Africa is at an all-time low. Although the RMB/BER Business Confidence Index rose in the last quarter of 2019 to 26 for the first time in two years (following a low of 21 in the third quarter of 2019), the index slipped to 20 in the first quarter of 2020, its lowest level in over two decades (BER). Reasons cited were persistent demand weakness, load shedding, bailouts of struggling state-owned enterprises, the deterioration in the government's finances and the spreading of the Covid-19 pandemic.

The Covid-19 pandemic emerged in December 2019 and swiftly surged across the globe with a magnitude and severity unseen in previous pandemics. The resultant restrictions on economic activity, in a bid to limit the movement and interaction of populations around the world, left few economies unscathed. An anticipated 5.2% contraction in global GDP in 2020 signals the deepest worldwide recession in decades.

Advanced economies are projected to shrink by 7.0% (seven percent). Developing economies are expected to contract by 2.5% as they cope with their own domestic outbreaks of the virus, representing the weakest showing by this group of economies in at least sixty years (The World Bank).

As with numerous businesses throughout South Africa and across the globe, the Primeserv Group has experienced adverse effects as a result of the Covid-19 pandemic. The meaningful momentum that the Group enjoyed going into 2020 came to an abrupt halt as the country went into the enforced "hard lockdown".

In response to the sudden changes wrought by Covid-19, the Group and its management team acted promptly and proactively. Decisive action was taken to protect the health and safety of both Primeserv's and our clients personnel. Strategic and operational adjustments were made to meet Covid-19 specific challenges so as to mitigate risks where possible, while ensuring the ongoing viability and sustainability of the business.



As a leading provider of Integrated Business Support Services to blue chip organisations throughout South Africa, it was critically important to ensure that these measures would never compromise Primeserv's client-centric focus and resolute dedication to client service excellence.

While the Covid-19 pandemic has particularly underscored the importance of maintaining a focus on solid and sound corporate governance, which balances the interests of all stakeholders, this is something that Primeserv has consistently done, regardless of external factors. Furthermore, Primeserv will continue to uphold our commitment to transformation, diversity and inclusion at all levels in the organisation, underpinned by the Group's strongly entrenched B-BBEE credentials.

In conclusion, I would like to extend my sincere appreciation to the Primeserv Board Members and Board Committees; firstly, for the diligence and firm resolve they have displayed in the conduct of their fiduciary duties, and secondly, for the support that they have generously provided to me. To our CEO, Merrick Abel and his management team, I congratulate you on meeting Primeserv's objectives and delivering another set of excellent results, despite the difficult trading conditions that frame South Africa's corporate landscape.

DL Rose

David L Rose
Chairman

29 September 2020

"Primeserv's Integrated Business Support Services offering is based on extensive industry knowledge and expertise, a collaborative approach to understanding clients' needs, ongoing innovation and a deep commitment to the development and successful advancement of people."

Merrick Abel *CEO*

South Africa's poor economic performance in 2019 and into the first quarter of 2020 indicates broad-based economic weakness that was further aggravated by a number of contributing factors. These included slowing exports, diminishing business confidence, severe drought throughout 2019, significant electricity supply disruptions and the emergence of the Covid-19 pandemic in the final quarter of the year under review.

A continuation of high public spending and low growth in the year under review has placed the country in a perilous fiscal position. South Africa's economy grew 0.2% in 2019 against 0.8% in 2018 (NordeaTrade). The first quarter of 2020 saw a decline in GDP of 2% (two percent) (seasonally adjusted and annualised (StatsSA)). In 2019, government debt stood at 59.9%, which is nearly 14% (fourteen percent) of revenues. This is expected to increase to 64.2% in 2020. Furthermore, the country's budget deficit reached 4.8% by the end of 2019 which is almost a two-decade high, exacerbated by bailouts for state-owned companies that continue to strain the public purse (NordeaTrade). The cost of load shedding in 2019 is estimated to have reduced South Africa's GDP growth by roughly 0.30% translating into R8.5 billion of real, inflation-adjusted Rands (Businesstech). Inflation was at a 14-year low in 2019 coming in at an average of 4.1%, the lowest level since 2005 (News24). Further detail on South Africa's economic sectors' performance is captured in the Chairman's Report.

The final quarter of the year under review has wrought unprecedented damage to South Africa's economy. The emergence of the Covid-19 pandemic and the resultant "hard lockdown" of the economy from March 2020 to end May 2020 led immediately to sharp declines in income, business closures and rising unemployment. In 2019, South Africa's unemployment rate reached 28.7% (NordeaTrade); this grew to 30.1% in the first quarter of 2020 (StatsSA).The IMF predicts that as a result of Covid-19 the unemployment rate will further increase to 35.5% in 2020. Low to medium skilled workers will be more likely to be employed in lower paying, more precarious forms of work with evidence from other countries suggesting that a large proportion of those affected will be women (Wits).

As outlined in the Chairman's Report, unemployment rates are much higher among South Africa's youth with 58% (fifty-eight percent) of 15-24 year olds not in jobs, education or training. In times of economic crisis, young people are the first to lose jobs and the last to gain them back (The Conversation). As well as fuelling the unemployment levels of our youth, the Covid-19 crisis has, in addition, created ripple effects for those youth who are employed. In August 2020, a survey by the Youth Employment Services ("YES") revealed that 43% (forty-three percent) of youth who had jobs over the past twelve months were earning less now than before the Covid-19 crisis. A total of 85% (eighty-five percent) stated that their salaries were necessary to support extended families, with 40% (forty percent) having a family member who had lost their job as a result of the pandemic. There is thus a growing burden of responsibility on this population group to secure and retain employment.

Despite the depressed economic environment and continued rising unemployment in South Africa, the overall performance of the Group for the year ended 31 March 2020 was solid given that most key metrics reflected an improvement. Group revenue remained stable, increasing marginally by 0.1% from R806.7 million to R807.7 million for the year under review. Operating margins remained under pressure and, notwithstanding the challenging operating conditions, gross profit was up by 1% (one percent) from R112.3 million to R113.4 million. Group EBITDA increased by 10.2% from R27.4 million to R30.2 million. Strict cost containment and enhanced operating efficiencies resulted in operating profit increasing year-on-year by 7.9% from R25.3 million to R27.3 million. Net profit before tax rose by 7.6% from R24.9 million to R26.8 million. A higher effective tax rate resulted in after tax income increasing by 5.6%, from R23.0 million to R24.3 million. The net effect of higher earnings and the reduced number of shares in issue as a consequence of some share repurchases, translated into earnings per share increasing by 20% (twenty percent) from 25.61 cents per share for the past year to 30.73 cents per share for the year under review. Headline earnings per share grew by 23% (twenty-three percent) from 26.06 cents per share to 32.08 cents per share.

Primeserv's improved earnings and strong operating cash flows are evident in the solid Group balance sheet, with the net asset value per share increasing by 19.8% from 167 cents per share to 200 cents per share. The tangible net asset value per share increased by 25.8%, from 132 cents per share to 166 cents per share.

Stringent working capital management resulted in a decrease in trade receivables as reflected in the movement in Days Sales Outstanding which improved from 63 days at the end of the prior year to 60 days at the end of the year. Group cash flows were significantly stronger year-on-year. Cash flows from operating activities increased by R31.8 million from R0.8 million in respect of the prior year, to R32.6 million for the reviewed year. Cash and cash equivalents improved from a net borrowed position of R12.4 million at the end of March 2019 to a positive balance of R13.5 million at year-end. This was notable given the increase in dividends paid out during the year, and that the Group also invested R2.1 million as part of its share buyback programme, compared to the R1.0 million invested in buybacks in the prior year. The Group was in a net cash positive and hence ungeared position as at this reporting year-end.

The operating performance across all Primeserv's Integrated Business Support Services operating units was admirable given the difficult and constrained economic conditions confronting the South African economy throughout the year under review. Certain business and industrial sectors of the economy to which the Group provides services showed some resilience, helping to offset those sectors where performance was under pressure. The Staffing Services units continued to invest in the delivery of customised services and solutions that meet the evolving needs of their client base.

The Group's focus on client-centric service excellence was well received across its operating environment. This was robustly supported by the Group's efficient Shared Services systems and growing national infrastructure (particularly in certain more remote and underserviced regions of the country) in combination with Primeserv's added-value business support services offerings. The specialised staffing and support services units servicing the logistics, warehousing and distribution sector delivered a satisfactory performance, as did the manufacturing and wholesale and retail specialist units. Although the construction sector remained depressed, the Group maintained its established support services delivery capability and capacity to meet the sector's fluctuating demand. The Group's professional engineering, draughting and specialised artisans unit, along with the mining and project support services unit were all-round strong performers. Furthermore, the unit servicing the power generation sector was able to deliver a sound operating performance.

The Training and Consulting Services unit made progress in returning to profitability in the latter part of the year and was gaining market traction while undergoing further business remodelling. This positive momentum was, however, abruptly halted by the impact of the Covid-19 crisis which has negatively affected not only the Group but South Africa as a whole.

At the outset of the year under review, the Group integrated its two main operating segments, namely the Staffing Services and Training and Consulting Services units, into one business reporting segment. This single operating segment has proven successful in that it better reflects the integrated value offering of the Group under the primary operating brand banner of Primeserv Integrated Business Support Services. This operating segment is supported by Primeserv's Shared Services unit, which continues to be reported on as a separate business segment within the Group.

Post the March year-end, the Group concluded its acquisition of the Lapace group of businesses. Subject to the normalisation of business activities following the business interruption as a result of the Covid-19 national lockdown, it is anticipated that this acquisition will enhance the Group's capacity to deliver a deeper range of large project-based support services and a broader range of specialised artisan services to its clients.

The Group remains well funded through both internal cash resources and current bank facilities. There is every expectation that it will be able to meet all its existing operational needs as well as be in a position to avail itself of new growth opportunities, as and when these become apparent.

In light of the prevailing circumstances and considering the interests of shareholders and the operational needs of the business, the Group decided to reduce its final gross dividend to 1.5 cents per share, resulting in the total gross dividend for the year under review being reduced by 25% (twenty-five percent) from 4 cents per share to 3 cents per share.

Primeserv has taken an urgent and measured response to the Covid-19 pandemic. The Group's primary concern and focus is the health, safety and wellbeing of its employees and assignees, as well as all clients and persons we come into contact with. The Group has introduced strict Covid-19 specific health and safety protocols and operating procedures which are applied at all the Group's offices and in conjunction with clients at their sites. These protocols include comprehensive Covid-19 related health and safety audits, the issue and wearing of appropriate PPE, social distancing measures, symptom monitoring, and the maintenance of contact registers (as laid down by the South African Department of Health and National Institute for Communicable Diseases), intensified cleaning and strict hygiene programmes, the management of canteens and eating at work, the separation of key personnel, and a broad range of other interventions designed to ensure optimal operational and management control, and business continuity. To this end, robust client-specific business continuity plans are in place which have been designed to maintain service delivery capability, capacity and client service excellence. Furthermore, a full-service work-from-home capability has been in place since the onset of the crisis and continues wherever possible so as to mitigate risks related to the spread of the virus. Those employees with comorbidities and those considered more at risk from infection to the virus are required to work from home. Where possible the Group makes use of virtual conferencing and training as an alternative to face-to-face activities.

Despite servicing certain clients operating essential services, the Group has nevertheless experienced severe financial impact as a result of South Africa's economic lockdown. Revenue in some key operating units servicing the construction, mining, manufacturing, retail and face-to-face training and consulting sectors has been negatively affected with some units having come to a complete standstill due to the lockdown.

Consequently, the Group has made certain key strategic, operational and financial adjustments in response to the Covid-19 pandemic. With a view to business returning to improved levels of activity as the national lockdown eases, but without certainty as to timing or intensity of increased activity, it was decided to maintain full strength capability and capacity to service all our clients as and when their demand dictates. To this end Primeserv has ensured that its business continuity plans are vigorous and highly client-centric, fully staffed, and operationally agile to meet current and evolving client needs. Full national infrastructure capability has been maintained and the Group is well positioned to meet changing conditions and new business requirements.

Given the reduced levels of revenue experienced almost immediately following the implementation of the national state of disaster declared by the President on 15 March 2020, and given that a high level of uncertainty remains in relation to any return to pre-Covid-19 levels of revenue, the Group immediately took action to right-size its cost base wherever possible. Cost reduction measures have been instituted across the Group without having a negative impact on any service delivery capability. The Group has assisted those employees and assignees negatively affected as a result of reduced income, specifically linked to the pandemic, to access the state-administered UIF-TERS benefits. Remuneration and fee sacrifices have been taken by the executive and non-executive directors, as well as by all management and staff across the Group.

Management will continue to rigorously assess the effects of the pandemic and the lockdown on the Group's business so as to proactively respond to the evolving situation in order to maintain Primeserv's operational viability and to ensure the long-term sustainability of the Group.

During the year under review, Primeserv has, above all else, remained steadfast in our commitment to delivering market-leading expertise, through our Integrated Business Support Services operations. This is reinforced by a highly client-centric management team and staff complement who work synergistically in their efforts to both support and grow our client base.

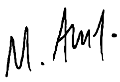
Primeserv remains an organisation with strong empowerment credentials that embraces opportunities to strengthen transformation and diversity wherever possible. This extends beyond the Group's own strategic imperatives to supporting the transformation objectives of our clients.

Delivering the highly satisfactory performance for the Group for the year under review has been a significant accomplishment, made possible through the concerted team effort of Primeserv's management and staff, whose efforts are greatly appreciated.

As ever, a heartfelt thanks goes to the Board, whose guidance, support and innovative approach to challenges has been highly valued during this economically challenging year under review. Their positive approach in the face of constrained conditions remains a strong driver in supporting the Group's pursuit of responsibly driving sustainable outcomes and enhancing shareholder value.

Much gratitude goes to our committed Group Chairman, David Rose, who has effortlessly upheld this position as well as undertaking additional roles on the Board until such time as the Group successfully completes its search for a suitably qualified transformative candidate to this position.

Finally, I would like to thank Primeserv's clients, business partners, advisors, and shareholders. It is through these valued partnerships and the support that we receive from our stakeholders that we are able to produce positive results each year.



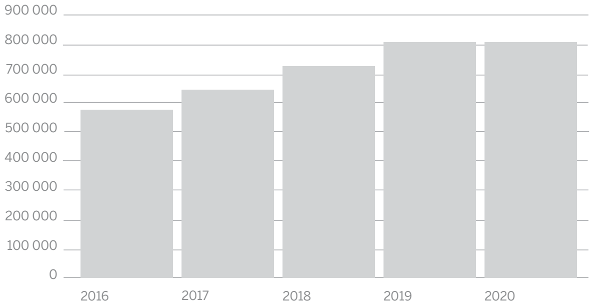
Merrick Abel
CEO

29 September 2020

five year historical performance

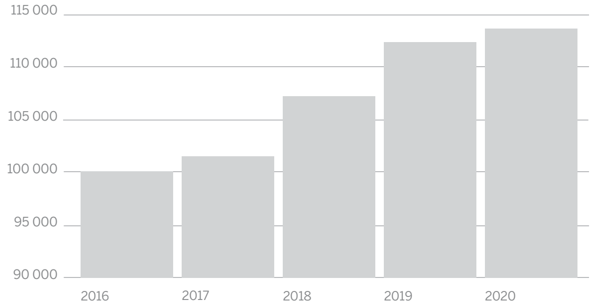
revenue

R '000



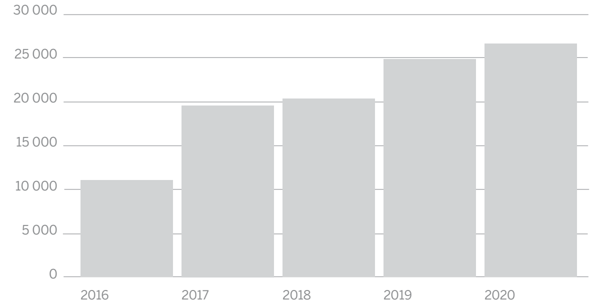
gross profit

R '000



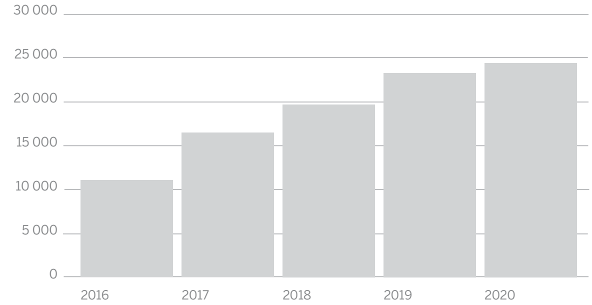
profit before tax

R '000



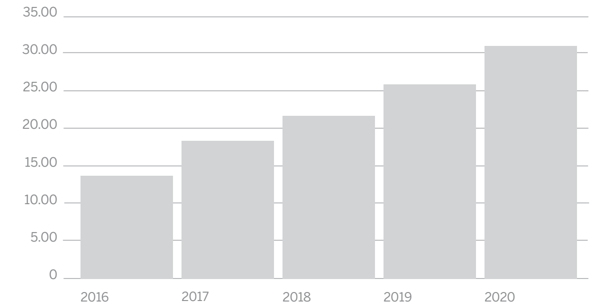
profit after tax

R '000



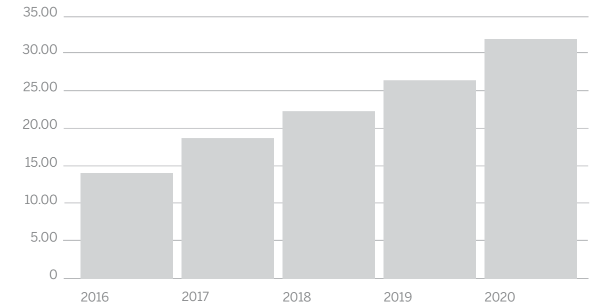
eps

cents per share



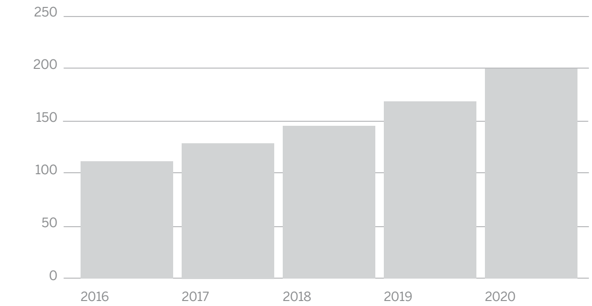
heps

cents per share



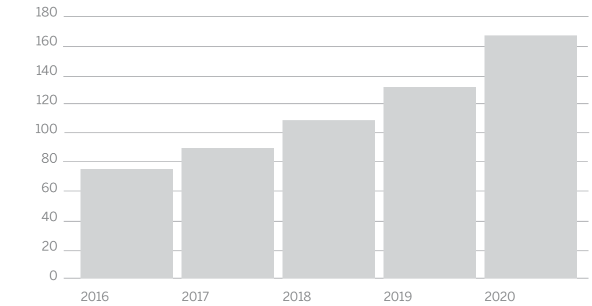
nav

cents per share



tangible nav

cents per share



corporate governance report

governance framework

At Primeserv good corporate governance is vitally important to the Group's reputation, performance and sustainability. The Primeserv Board subscribes to ethical and responsible leadership, the principles of good governance, stakeholder inclusivity, and business, social and environmental sustainability. It strives to lead by example and to actively promote ethical and responsible practices and sound corporate citizenship. In order to provide an appropriate framework in which this can take place, the Group has a Code of Ethics and Corporate Conduct, which ensures that it operates within a framework of good business practice. This is complemented and supported by the Primeserv Pledge (page 5), which is prominently displayed in all of the Group's offices.

All Board and executive management decisions are based on four ethical values that define good corporate governance:

Responsibility: The Board assumes responsibility for the assets and actions of the Group and, if necessary, for corrective action to ensure that the Group, its subsidiaries and business units adhere to their strategically defined objectives.

Accountability: The Board ensures that it can justify its decisions and actions to shareholders and other stakeholders.

Fairness: The Board gives fair consideration to the interests of all stakeholders.

Transparency: The Board discloses business information in a transparent manner in order to enable shareholders and other stakeholders to make an informed assessment of the Group's activities.

Effective governance requires that the Group adhere to all relevant legislation, the JSE Listings Requirements and the corporate governance guidelines defined in King IV. Governance structures and processes are regularly reviewed and updated to accommodate internal developments and to reflect best practice.

The Group's Code of Ethics and Corporate Conduct articulates its commitment to conducting business in a transparent responsible and ethical manner, and outlines its responsibilities to all stakeholders. All employees are expected to conduct themselves with integrity in both their internal and external dealings and are expected to adhere consistently and uncompromisingly to the highest standards of ethical behaviour, which is underpinned by the Primeserv Pledge.

The Board is confident that the ethical standards of the Group are being upheld.

composition of the board

The Primeserv Board currently comprises five directors, including two executive directors, one non-executive director and two independent non-executive directors. The members bring a wealth of specialised industry, financial, management and corporate experience to the Group.

The roles and responsibilities of the independent non-executive Chairman and the CEO have been clearly defined and are distinct to ensure checks and balances in decision-making. No single director is positioned to exercise unfettered decision-making, which protects against the influence of possible personal interests and thereby ensures that the interests of all stakeholders are represented and taken into account.

The CEO provides short and long-term strategic and tactical leadership and is also responsible for day-to-day operational decisions and business activities. The non-executive directors provide independent judgement on issues of strategy, budgets, performance, resources, transformation, diversity, employment equity and standards of conduct. They are also responsible for ensuring that the Chairman encourages proper and appropriate deliberation on matters requiring the Board's attention.

Executive directors are bound by employment contracts and restraint agreements.

The composition of the Board is reviewed annually by the Remuneration and Nominations Committee, which considers the required mix of skills, experience and other qualities needed, including race and gender, and assesses the effectiveness of the Board and its various committees as well as the individual contribution of each director.

Executive directors are appointed based on their skills, experience and level of contribution to and impact on the Group's activities. Non-executive directors are selected in line with the Group's transformation strategy and based on their industry knowledge, professional skills, experience and ability to enhance organisational decision-making and to ensure optimal organisational stability. In terms of the Board Charter, the Social and Ethics Committee may recommend candidates whom it believes are not only suitably qualified and who will be assets to the Board, but who will also primarily further the transformation of the Group.

All non-executive directors are subject to election by shareholders. In accordance with the Group's Memorandum of Incorporation ("MOI"), at least one-third of the non-executive directors retire by rotation at the Group's annual general meeting ("AGM"). Retiring directors may make themselves available for re-election if they remain eligible as required by the MOI and in compliance with the JSE Listings Requirements.

Accordingly B Kali and DL Rose will retire by rotation at the upcoming AGM and, being eligible to do so, will offer themselves for re-election. Their brief CVs are contained in this Integrated Report. In determining whether to recommend a director for re-election, the Remuneration and Nominations Committee considers the director's record of compliance with regulatory requirements, attendance at meetings, participation in and contributions to the activities of the Board. It also considers the results of the most recent Board self-evaluation survey.

Non-executive directors' appointments are not always formalised through letters of appointment. The Board believes that the rigorous review of candidates also provides sufficient evidence to support their appointment. Any changes to the Board are published on the JSE's SENS. The Group has an induction programme for all new non-executive directors, which takes into account their individual experience, skills, requirements and responsibilities to the Group.

Directors are remunerated in accordance with the Group's Remuneration Policy, which is detailed on pages 30 to 33.

evaluation of the board

The Chairman, the Board, the committees of the Board and individual directors are evaluated annually. Appropriate measures are taken to address any weaknesses that may have been highlighted through the evaluation process. Each non-executive director provides input and is expected to demonstrate intellectual integrity in his/her self-assessment.

conflicts of interest

When considering, appointing and evaluating directors, the Board considers all of their interests, including either direct or indirect shareholding in the Group and whether they have a contract with the Group or an interest in the contract with the Group.

attendance at meetings during the year

	Board		Audit, Governance and Risk Committee		Remuneration and Nominations Committee		Social and Ethics Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
DL Rose	4	4	3	3	2	2		
B Kali	4	4	3	3	2	2	2	2
LM Maisela	4	3	3	2	2	2	2	2
M Abel	4	4	3	3*	2	2*	2	2
R Sack	4	4	3	3*				

* By invitation

The Board assesses the materiality of the directors' interests, but considers amounts constituting less than 5% (five percent) not material. Actual or perceived conflicts of interest are monitored and disclosed at each Board meeting. Share trading by directors and senior officers is governed by a formal policy.

board responsibilities and functioning

The Board operates in accordance with its Board Charter, a copy of which is available on request. It meets regularly and directs and controls the management of the Group, is responsible for strategy and fiscal policy, and is involved in all material decisions affecting the Group.

The Board defines levels of materiality, reserving specific powers for itself and delegating other matters, together with the necessary authority, to the CEO, any other executive director, the committees of the Board or management. Notwithstanding this, the directors recognise that they are ultimately accountable and responsible for the performance and affairs of the Group and that the use of these delegated authorities in no way absolves the Board of the obligation to carry out its duties and responsibilities.

A process of control enables the Board to assess and manage and mitigate risks where possible and directs the attainment of the Group's objectives. This process sets the tone for the Group and encompasses ethics and values, organisational philosophy and employee competence.

The Board actively participates in the process of strategy assessment and development and is not merely a recipient of strategy and plans proposed by management. The directors appreciate that strategy, risk, performance and sustainability are inseparable. The Board contributes to and approves the Group's strategy, satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly considered and assessed by management. The Board seeks to ensure that the strategy will result in sustainable outcomes and considers the possible impact of the Group's various operations on society and the environment as a whole, while also ensuring compliance with the Constitution and laws of the country. The Board also ensures that measurable and effective corporate citizenship programmes are developed, and that these programmes are implemented by management.

Together with management, the Board seeks to identify the Group's key risk areas and key performance indicators, and updates and reviews them regularly. Full and timely information is supplied to the Board and Committee members, and they have unrestricted access to all the Group's management information, records, documents and property.

company secretary and independent advice

The Group's Company Secretary, ER Goodman Secretarial Services Proprietary Limited, provides guidance and assistance in line with the requirements outlined in the Companies Act (No. 71 of 2008), the King IV Report and the JSE Listings Requirements. The Board of Directors has direct access to the Company Secretary. Primeserv's FD and/or the Group Legal and Risk Officer also attend to certain company secretarial responsibilities.

A review of the Company Secretary is conducted annually. The Board of Directors has reviewed and is satisfied with the Company Secretary's independence, competence, qualifications and experience. As the Company secretarial duties are outsourced to an independent firm, in its assessment, the Board has considered the individuals who fulfil the role of Company Secretary, as well as the directors and shareholders of the firm, and confirms that it has maintained an arm's length relationship with the Board. The Company Secretary has more than 20 years of company secretarial experience, having performed these duties both independently as well as within the company secretarial departments of well-known audit firms.

All directors may obtain independent professional advice at the Group's expense, where they deem it necessary. This enhances the Board's independence, decision-making capability and the accuracy of its reporting.

board committees

The Board delegates certain functions to appropriately constituted Committees without abdicating any of its responsibilities. Board Committee charters define the purpose, authority and responsibility of the various Board Committees.

The Audit, Governance and Risk Committee is constituted as a statutory committee of the Board in compliance with the Companies Act, King IV and the JSE Listings Requirements. Its composition, responsibilities and activities are covered in the Audit, Governance and Risk Committee Report on pages 28 and 29.

The Remuneration and Nominations Committee is constituted as a statutory committee of the Board for the purposes of considering remuneration across the Group. It also reviews the composition of the Board and its Committees, executive training and succession planning. Its composition, responsibilities and activities are covered in the Remuneration and Nominations Committee Report on pages 30 to 33.

social and ethics committee

The Social and Ethics Committee is constituted as a statutory committee of the Board in compliance with the Companies Act. Its composition, responsibilities and activities are covered in the Social and Ethics Committee Report on pages 33 to 35.

risk and compliance

risk management policy

The Board plays a vital role in risk management and mitigation. Primeserv has a comprehensive risk management policy in place, which is entrenched throughout the Group. The Audit, Governance and Risk Committee is responsible for monitoring the implementation and effectiveness of the policy. The Group's risk management strategy is determined by the Board, with input from the executive directors, the Group's Legal and Risk Officer and senior management. This strategy deals with identifying, assessing, monitoring, managing and, where possible, mitigating all identified forms of risk across the Group.

The identification of risks and opportunities is a robust and systematic process that is conducted at all levels in the Group. The Board is responsible for determining the Group's tolerance or appetite for risk. The Audit, Governance and Risk Committee assists the Board in reviewing both the risks facing the Group and the risk management process. The role of the Committee is to ensure that the Group has effective ongoing processes that are designed to identify and assess risk and that, whatever measures are considered to be necessary in order to manage this risk proactively, are implemented as and when necessary. Risk management presentations and updates are done by management at each Board meeting.

The Audit, Governance and Risk Committee makes use of a heat risk mapping process aimed at identifying key performance areas and associated areas of risk. It assesses and addresses, inter alia, physical and operational risk, HR risk, technology risk, business continuity risk, disaster recovery, cyber risk, credit and market risk, governance risk and compliance risk and transformation and B-BBEE risk. This assists the Board in the process of assessing and managing risk.

The Group's risk management policy is reviewed annually and, together with an appropriately updated risk management plan, is presented to the Board for review and approval. The approved policy is disseminated and implemented throughout the Group and the risk management plan is integrated into the day-to-day activities of the Group.

The Board is regularly updated as to the Group's risks, and risk management and mitigation recommendations are then made. The Board approves the assessment and management of risk within the levels of tolerance and appetite.

The risk management process incorporates frameworks and methodologies designed to anticipate and mitigate unpredictable risks wherever possible. There are pre-specified risk responses at management and executive level, as well as guidelines for monitoring the response to risk. The Group obtains formal opinions on the process of risk management and the effectiveness of the risk management system. Reporting on risk management is timely, comprehensive, accurate and relevant.

risk management framework

Risk management and continuous improvement in the corresponding control structures remains a key focus in the ongoing process of building a successful and sustainable business. The Board recognises that risk management is a dynamic process and that the risk framework should be robust enough to effectively manage and react to changes in an efficient and timeous manner. Formalisation of a risk management framework is the responsibility of the Group's Board of Directors.

Primeserv's risk management framework aims to ensure:

- efficient allocation of capital across various activities to maximise returns and the diversification of income streams;
- risk-taking within levels acceptable to the Group and within the constraints of the relevant business units;
- efficient liquidity management and control of funding costs; and
- improved risk management and control.

operational risk management

The structure of the Group promotes the active participation of executive management in all of the operational and strategic decisions affecting their business units. This creates a strong culture of ownership and accountability. Senior management also takes an active role in the risk management process and is responsible for the implementation, ongoing maintenance of and ultimate compliance with the risk processes and protocols as they apply to each business unit.

The Board is kept abreast of developments through formalised reporting structures, ongoing communication with management, regular management meetings at an operating subsidiary level and through representation of executive members of the Board on certain of the forums responsible for the management of risk at an operating subsidiary level. The Group remains committed to employing and retaining the highest calibre of staff to ensure a strong financial and operational infrastructure within each of the operating units.

combined assurance framework

The Group utilises a combined assurance framework in alignment with the assurance model introduced in King IV. This model aims to optimise all of the various assurance services and functions, both internal and external, so that when taken as a whole, they will support the integrity of the information used for decision-making by all stakeholders, including management, the Board, shareholders and regulatory bodies.

Primeserv makes use of several assurance providers to provide cost-effective and relevant assurance given the Group's risk tolerance. The Group applies, where practical, the four-lines-of-defence model, which is depicted below:

line of defence	assurance provider	nature of assurance
First	Management oversight	Operational management is accountable and responsible for following the established guidelines, protocols and operating procedures as outlined by the Group's Best Operating Practices and Internal Controls so as to ensure that identified risk areas are managed and mitigated where possible by using a combination of both preventative and detective controls.
Second	Internal assurance	Senior management reviews the implementation and appropriateness of existing controls and, where appropriate, refines or develops processes that will enhance existing risk mitigation processes. The people responsible for doing this typically include the executives in charge of the various business segments, the executives within the shared services structure (which includes finance, payroll and HR/IR) and the Group's Legal and Risk Officer.
Third	Internal audit	The Group has assessed the possibility of implementing an internal audit function, but does not believe that the cost of a full-time resource is currently warranted. The Group does, however, engage external consultants from time to time to review, audit and report on identified aspects of the business.
Fourth	Independent external assurance	External assurance derives from external audits performed by various bodies governed by both statute and regulation. This includes the annual audit of the financial statements of the business, as well as those performed by accreditation bodies such as bargaining councils and SETAs. The Group is also reviewed where applicable by its bankers and sponsors as well as by its B-BBEE verification agencies.

internal control

The Board is responsible for the Group's systems of internal control and risk management and mitigation, where possible, and is assisted in this regard by the Audit, Governance and Risk Committee.

The Committee evaluates the adequacy and effectiveness of internal control systems and monitors the implementation of recommendations made by the external auditors. The Group has internally defined lines of accountability and delegation of authority, and makes provision for comprehensive reporting and analysis against approved standards and budgets. Compliance is tested by way of management reviews, internal review processes and external audit.

The Audit, Governance and Risk Committee considers the results of these reviews on a regular basis. It confirms the appropriateness and satisfactory nature of these processes, and ensures that breakdowns involving material loss, if any, together with the remedial actions taken to rectify these, are reported to the Board.

The internal control systems exist to provide reasonable but not absolute assurance regarding the safeguarding of assets and the prevention of their unauthorised use or disposal, the maintenance of proper accounting records, and the reliability of financial and operational information used in the business. The system of internal control is designed to manage rather than eliminate the risk of failure so as to achieve business objectives and can provide reasonable rather than absolute assurance against material misstatement or loss. There is an ongoing process of identifying, evaluating, managing, monitoring and reporting on significant risks faced by the Group.

internal audit

Given the Group's size and the internal controls within the organisation, the cost-benefit ratio of a permanent internal audit function is not currently regarded as warranted by the Board. However, an internal audit of certain key components of the Group's operations is undertaken from time to time, using internal and/or external resources.

external audit

The Board believes the Group's auditors observe the highest standard of business and professional ethics, and that their independence is not in any way impaired. The Group aims to achieve efficient audit processes using its internal controls and external auditors.

insurance

Primeserv takes a risk-averse approach to insurable matters and reviews its insurance portfolio annually. The Group's operating assets, including various assets owned by lessors, are insured at replacement value. Credit evaluations are performed on its clients and, where available and cost-effective, the Group uses credit insurance. Key-man policies cover key executives wherever possible, and liability cover is taken out for fidelity, directors' liability, loss of profits, political risk, general liability, professional liability and cyber-related matters.

information technology

The Board is ultimately responsible for Information Technology ("IT") governance. IT governance plays an important role in risk management and the achievement of the Group's objectives.

Primeserv's IT governance framework informs management's appreciation for – and supports its ability to manage – risk associated with IT and the process of delivering value from its use. The framework is a control model designed in accordance with best-practice IT governance procedures, and ensures the integrity of the Group's information and information systems. It takes into account business requirements, control needs and technical issues.

The scope of the IT governance framework is constantly evolving to take changing conditions into account. It allows for:

- alignment of strategic IT objectives and strategic enterprise objectives and processes;
- prioritisation of IT project initiatives and delivery of IT investment recommendations for Board approval;
- sufficient organisational capability to enable the business to deliver on its strategic and operational objectives;
- continual evaluation of processes and procedures;
- remedial action to deal with poor performance if and when required;
- suitable criteria for decision-making;
- open communication between the IT service provider and the business units to promote collaborative planning;
- evaluation of the benefits of outsourcing certain IT functionalities;
- an annual IT assurance statement on key IT projects and performance metrics; and
- a robust disaster recovery management process.

tax

Effective and efficient controls must be in place to ensure that tax, as a major business expense, is properly managed. As part of its governance accountability, the Group complies with all tax legislation.

compliance with laws, rules, codes and standards

Primeserv operates within a complex legislative framework. The Group monitors amendments to existing laws, new laws and the passing of new Bills to ensure compliance at all times. Business processes are then updated in order to align them to the legislative framework.

restrictions on share dealings

In accordance with Primeserv's policy, no Group director or employee who has inside information in respect of the Group may deal directly or indirectly in Primeserv Group Limited shares based on such information. All transactions by directors and senior management or parties connected to them that involve Primeserv shares or options must be approved by the Chairman or, in matters involving the Chairman, by the CEO.

stakeholder relationships

The Board accepts its duty to present a balanced and understandable assessment of the Group's position when reporting to stakeholders. Reporting addresses material matters of significant interest and concern to all stakeholders, and presents a comprehensive and objective assessment of the Group so that shareholders and stakeholders with a legitimate interest in the Group's activities can obtain a full, fair and honest account of its activities and performance. Primeserv is proactive regarding its stakeholder engagement policy, which is aimed at aligning the Group's stakeholder engagement policies and processes with the principles outlined in King IV.

Details of the Group's engagement with key stakeholders is outlined on pages 12 and 13.

integrated reporting and disclosure

The Board acknowledges its responsibility to ensure the integrity of the Integrated Report and its Responsibility Statement authorising the release of the Integrated Report appears on page 1.

annual general meeting

The agenda for the Annual General Meeting ("AGM") is set by the Company Secretary and is communicated to all shareholders in the notice of the meeting that accompanies the Integrated Report. Consequently, the notice of the AGM is distributed well in advance of the meeting itself, which affords all shareholders sufficient time to acquaint themselves with the effects of any proposed resolutions.

Adequate time is also provided by the Chairman during the meeting for the discussion of any proposed resolutions. The conducting of a vote to decide on any such resolutions is controlled by the Chairman and takes account of the votes of all shareholders, whether present in person or by proxy. A proxy form is included in the Integrated Report for this purpose.

The Group recognises the importance of its shareholders' attendance at its AGM. All participants are required to provide satisfactory identification at the meeting. Acceptable forms of identification include original and valid identity documents, driver's licences and passports. Shareholders who wish to participate in the AGM by way of electronic participation should make application to the transfer secretaries to do so. The cost of accessing any means of electronic participation provided by the Group will be borne by the shareholder accessing the facility.

In accordance with Regulation 43(5)(c) of the Companies Act, the Chairperson of the Social and Ethics Committee will report to shareholders at the AGM.

audit, governance and risk committee report

The Audit, Governance and Risk Committee is chaired by DL Rose and included B Kali and LM Maisela during the course of the 2020 financial year. The committee currently comprises DL Rose (Chairman), B Kali, and LM Maisela all of whom together have the skills, expertise and experience as required in terms of King IV. Executive directors M Abel and R Sack attend by invitation.

The Committee meets at least three times a year and convenes additional meetings if required. Attendance at Committee meetings is set out on page 25. The Committee also meets with the external auditors without the presence of management at least once a year. The Committee Chairman attends the AGM to answer any questions relating to matters within the ambit of the Committee.

The term of the Committee is for a period from one AGM to the next and its composition is reviewed and approved annually by the Board and recommended to shareholders. The Chairman is appointed by the Board immediately following election of the members by shareholders.

The Audit, Governance and Risk Committee's terms of reference are set out in an Audit, Governance and Risk Committee Charter, which complies with all applicable legislation and is available on request. The Charter includes the specific requirements relating to auditors and audit committees as set out in the Companies Act and King IV. The Board approves any amendments to the Charter, which are made in compliance with legislative amendments and other governing codes and principles.

The responsibilities of the Committee include:

- developing and maintaining effective systems of internal control;
- assessing the need for and monitoring the function of internal audit and/or reviews;
- safeguarding the Group's assets;
- maintaining adequate financial reporting systems;
- evaluating and defining the levels of risk that are appropriate and acceptable to the Group;
- ensuring the reliability and accuracy of financial information provided to shareholders and other users of financial information;
- appointing external and, where deemed necessary, internal auditors;
- assessing the relevance, impact and resolution of accounting and/or auditing issues as may be identified by the external auditors;
- ensuring compliance with legal and regulatory provisions, including stock exchange requirements;
- formulating and updating the Group's MOI;
- formulating and updating the Code of Ethics and Corporate Conduct;
- formulating and updating the by-laws and rules established by the Board; and
- reviewing both the risks facing the Group and the risk management and mitigation process.

management process

The Committee is satisfied that the appropriate risk management processes are in place. The effectiveness of the Committee is assessed annually and, based on the most recent assessment, it duly fulfilled its responsibilities during the reporting period in accordance with its terms of reference.

external audit

The Committee recommends the appointment of the external auditor for approval by shareholders at the AGM. The Committee has satisfied itself that Mazars and Munesh Patel, the Group's designated auditors, are independent of the Company. The Committee confirms that the auditor and designated auditor are accredited by the JSE. The Committee, in consultation with the CEO, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2020 financial year. The budgeted fee is considered appropriate for the work that could reasonably have been foreseen at that time.

Non-audit services rendered by the auditor are governed by a formal procedure and each engagement letter for such services, where material, is reviewed and approved by the Committee. The external auditors have unrestricted access to the Chairman of the Committee and no matters of concern were raised during the year under review.

going-concern assessment

The Board has reviewed management's assessment of the solvency and liquidity of the Group and regards the Group to be a going concern. It is expected (despite the post year-end impact of the Covid-19 pandemic) to continue to be profitable in the current financial year and to have adequate cash and other resources to fund its combined operations without the need to dispose of any assets or undertake any capital restructuring.

annual financial statements and accounting policies

The Committee has reviewed the accounting policies and the financial statements of the Group and is satisfied that they are appropriate and comply in all material respects with International Financial Reporting Standards and the requirements of the Companies Act.

A process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the Group. No matters of significance were raised during the reporting period. The Committee fulfilled its mandate and recommended the Integrated Report for the year ending 31 March 2020 for approval to the Board.

The Board approved the financial statements on 29 September 2020 and the financial statements will be open for discussion at the AGM.

David L Rose
Audit, Governance and Risk Committee Chairman

29 September 2020

remuneration and nominations committee report

background statement

The Remuneration and Nominations Committee, during the 2020 financial year, comprised of LM Maisela as Chairman and B Kali and DL Rose. The CEO, M Abel, attends meetings by invitation to assist the Committee with information related to some of its deliberations, but is excluded from any deliberations relating to his own remuneration. None of the directors is involved in decisions relating to their own remuneration.

The Committee is governed by a formal charter, which is reviewed by the Board. The Charter has been updated in order to comply with the principles of King IV.

Details of meeting attendance are given on page 25.

responsibilities

The Committee's responsibilities include:

- ensuring that the Group's remuneration structures effectively and adequately attract and retain talented and relevantly experienced individuals who can contribute to the Group's performance, growth and sustainability;
- recommending compensation policies and remuneration packages that support the Group's strategic and tactical objectives, and which remunerate and reward employees for their contribution to strategic, operational and financial performance; and
- ensuring that nominees to the Board are not disqualified from being directors and, prior to their appointment, investigating their backgrounds in accordance with JSE recommendations.

key objectives

Key objectives for the current period are to:

- offer remuneration levels that will attract the best and most relevant talent available to the business;
- develop, motivate and retain a skilled, industry relevant and knowledgeable staff complement; and
- continue, wherever possible, to implement the policy of filling vacant positions with qualifying black, preferably female, candidates.

remuneration policy

remuneration philosophy

Primeserv is committed to offering fair and market-related remuneration, taking into account scarce skills, critical and strategically important positions and the need to reward consistent and excellent performance. Remuneration philosophy therefore focuses on maintaining, rewarding and developing the value of all employees. The Group considers remuneration a key element in empowering each employee to make a positive contribution to the performance, growth and sustainability of the business.

The Remuneration and Nominations Committee considers the remuneration principles applicable to employees holding permanent positions and does not consider remuneration in regard to temporary and probationary employees.

Primeserv's remuneration strategies and objectives are formulated to take account of desired outcomes at individual, segmental and Group level. An appropriate balance is maintained between employee and shareholder interests. The Board remains ultimately responsible for the Group's remuneration policy.

The Group's remuneration policy includes principles designed to ensure compliance with the recommended practices set out in King IV. It provides the Group with a basis for ensuring that it remunerates its employees fairly, responsibly and transparently in order to ensure the realisation of the Group's strategy and the best levels of performance over the short, medium and long-term.

remuneration elements and principles

Primeserv subscribes to the principles of employment equity and is committed to addressing disparities between the upper and lower levels of remuneration over time. As a consequence, salaries payable to employees in the lowest income band are adjusted at rates greater than those applied to executives and management.

The Group remunerates its employees on the following basis:

- salaries are calculated as a total cost to company;
- salaries are reviewed annually in March and increases are implemented with effect from 1 April, subject to qualifying criteria;
- salaries are benchmarked against market and industry standards;
- remuneration for executive directors and prescribed officers is considered in relation to peer group remuneration, relevant remuneration surveys and scarcity of industry specific skills and key strategic and operational roles in the business;
- a number of employee benefits are available to employees as part of their total cost to company, depending on their role and position;
- remuneration includes contributions to the Group Pension Fund and a medical scheme; and
- packages include amongst others, such contractually negotiated benefits as a travel allowance and a telephone allowance.

remuneration of non-executive directors

terms of service

Non-executive directors are appointed by shareholders at the AGM. Group policy does, however, make allowance for interim Board appointments to be made between AGMs, as and if necessary. Interim appointees serve until the next AGM, when they may make themselves available for election by shareholders.

In accordance with the Group's MOI, non-executive directors are required to retire periodically by rotation, at which point they may seek re-election. Within this context, the length of service of non-executive directors who have served for more than 10 years has been reviewed. Given the need for continuity in an industry subject to constant change, the size of the Group and its ability to attract and retain essential skills, the Board has determined that the continued involvement of long-serving directors is vital and of benefit to the Group.

remuneration

Non-executive directors are remunerated for their contribution to the Board and Board Committees. Compensation for loss of office is not a contractual agreement. The annual remuneration payable to non-executive directors consists of a retainer-based fee for membership or chairpersonship of the Board and its Committees as well as a fee for attendance at meetings. At each AGM special resolutions regarding remuneration of non-executive directors are tabled for approval by shareholders. There are no short- or long-term incentive schemes for non-executive directors. There are no pension, medical or other benefits for non-executive directors.

Reviews of non-executive directors' remuneration are made on an annual basis and recommendations are then made to the Board, which, in turn, proposes fees for approval by shareholders at the AGM.

remuneration of executive directors

terms of service

The Group complies with relevant legislation in determining minimum terms and conditions for the appointment of executive directors. Unless stated otherwise in the contract of employment, a notice period of one month applies.

In terms of their contracts of employment, a six-month notice period applies to the CEO, a three-month notice period applies to the other executive director, and a period of between one and three months applies to prescribed officers. Based upon seniority and length of service, certain benefits continue after retirement or termination, but there are no other benefits contractually payable to executives arising out of the standard termination of their contracts.

external appointments

Executive directors are not permitted to hold external paying directorships or offices without the approval of the Board. If such approval is granted, directors may retain the fees payable from such appointments. The executive directors do not hold any external professional appointments.

remuneration

Remuneration of executive directors is determined through a process of needs evaluation and benchmarking, using current market information relating to remuneration and reward practices. Market conditions impact on the ability to attract and retain experienced executives with relevant industry experience, and the key nature of executive positions and industry relevant skills are considered when determining remuneration.

Fixed remuneration may be complemented by short-term performance bonuses, which may reach up to 70 percent of executives' basic packages. The Group's longer-term incentives for key executives include cash rewards, share options, share purchase schemes and share awards.

The Group adopts the principle of total cost to company in determining executive directors' remuneration packages. This includes basic remuneration and retirement, medical and other benefits. In addition, executive directors benefit from long-term incentives linked to performance and retention measures.

Remuneration packages comprise the following:

- a basic cost-to-company salary, which is determined by market value and the executive's role;
- short-term cash-based incentives, which are determined by the fulfilment of short-term strategic, operational and performance targets; and
- long-term cash and share-based incentives, which are determined by the successful development and implementation of medium and long-term business strategies, the implementation of key business imperatives, growth in shareholder value, and behaviour consistent with this goal.

The extent of managerial responsibility, together with actual workplace location, plays a role in determining the basic remuneration of executive directors.

short-term incentives

Discretionary performance bonus schemes are applicable to executive directors as well as to prescribed officers. Job level, business unit and individual performance determine individual awards. The aim of the bonus scheme is to reward performance in line with organisational objectives and achievements. Incentives are assessed and paid after the end of the relevant financial year once there is certainty regarding the achievement of the relevant financial and other performance measures.

long-term incentives

Retention of skills is a primary long-term objective for the Group and this is becoming increasingly important given prevailing economic conditions. Retention plans may include cash payments and/or asset-based awards as well as share-based incentive schemes.

Long-term awards are designed to align the performance of the individual and the Group as well as to retain high-calibre and key personnel. Share incentive awards and other financial awards as may be considered appropriate from time to time are recommended to the Board by the Remuneration and Nominations Committee only when business and individual performance targets and/or other key objectives have been attained.

implementation report

remuneration of non-executive directors

Non-executive directors receive a base fee plus an attendance fee per meeting. Fees proposed for the 2021 financial year are outlined in the table below and represent a 7 percent increase on those approved for the 2020 year:

Role	Base fees R	Attendance fees per meeting R	Attendance fees at all scheduled meetings R
Chairman	96 300	22 470	89 880
Non-executive directors	28 890	22 470	89 880
Chairman of Audit, Governance and Risk Committee	117 700		
Chairman of Remunerations and Nominations Committee	16 050		
Chairman of Social and Ethics Committee	16 050		
Committee members – Audit, Governance and Risk Committee		10 700	32 100
Committee members – Remuneration and Nominations Committee		5 350	10 700
Committee members – Social and Ethics Committee		5 350	10 700

The fees given in the table are for individual roles.

The aggregate fees any single director will earn for the 2021 financial year will be based on the combined fees for all roles performed and meetings attended.

The table below shows what the non-executive directors may be expected to earn for the 2021 financial year based on attendance at all scheduled meetings:

Non-executive director	Total fees year-end March 2021 (expected based on full attendance) R	Total fees year-end March 2020 (based on actual attendance) R
DL Rose	314 580	271 000
B Kali	177 620	146 700
LM Maisela	177 620	115 000
Total fees	**669 820**	**532 700**

remuneration of executive directors

Details of executive directors' remuneration are listed on page 61 of the Integrated Report.

Details of remuneration paid to Prescribed Officers is set out on page 61 of the Integrated Report.

In relation to the 2020 year, short-term incentives paid to executive directors are set out on page 61 of the Integrated Report.

No long-term incentive share awards were made to executive directors in the year ended March 2020. The Committee has, however, sanctioned the grant of share options and cash awards as a retention tool in regard to executive directors and certain senior management, details of which will be released on SENS, if so required, at the appropriate time.

implementation of remuneration policy

In terms of King IV, the Group's remuneration policy and a report on its implementation must be tabled every year for separate non-binding votes by shareholders at the AGM. Should 25% (twenty-five percent) or more of the votes cast be against one or both of these resolutions, the Company undertakes to engage with shareholders as to the reasons for this. It also undertakes to consider and make recommendations based upon the feedback received.

conclusion

The Committee, through its individual members, is satisfied that it has diligently fulfilled its mandate as required in terms of its Charter for the year ending 31 March 2020.

LM Maisela
Remuneration and Nominations Committee Chairman

29 September 2020

social and ethics committee report

This Social and Ethics Committee performs its duties in line with the Companies Act and in terms of any additional duties that may be assigned to it by the Board. Although management is tasked with the day-to-day operational sustainability of their respective areas of business, the Board remains ultimately responsible for Group sustainability and has delegated certain duties in this regard to the Committee.

The Committee was chaired by B Kali, for the year under review, and comprised LM Maisela and M Abel during that period. Details of meeting attendance are given on page 25.

The Committee is governed by a formal charter, which is reviewed by the Board.

responsibilities

The statutory duties and responsibilities of the Committee, as outlined in the Companies Act, are the monitoring of the Group's activities in relation to relevant legislation, other legal requirements and the prevailing codes of best practice.

The Committee assists the Board in ensuring that there are appropriate strategies and policies in place to further transformation, diversity and inclusion across all facets of the Group. The Committee seeks to address all issues pertaining to the transformation of the Group into an organisation that is relevant within the context of a democratic South Africa. It plays a role in seeking to ensure that demographic composition of the Group is fully representative of the country's diversity.

Its role is not to redress the imbalances that exist in society as a whole, but to ensure that Primeserv is a leader in the implementation of HR and IR practices that recognise the equality of all individuals. Primeserv seeks to implement, through careful and considered processes, a range of measures – including affirmative action in support of the Group's employment equity and workplace skills plans – that do not detract from the organisation's long-term goal of delivering sustainable returns to shareholders and stakeholders alike.

During the reporting period the Committee accordingly reviewed the following:

- social indicators;
- demographic representation and diversity;
- employment equity;
- skills development and employee career advancement; and
- youth employment and the creation of workplace opportunities.

Primeserv promotes equal opportunities and fair treatment in employment and does not tolerate discrimination against any employee. Primeserv employees may exercise their rights in terms of the Basic Conditions of Employment Act (No. 75 of 1997) without fear of discrimination. All new employees are required to attend a formal induction programme where they are made aware of the various Group policies and procedures, as well as rights, duties and obligations. The Group's disciplinary practices are conducted in accordance with its Disciplinary Code and Procedures, which are in line with King IV. A formal grievance procedure is also in place to address employee grievances.

The Group, including the holding company and its subsidiaries, has submitted its Employment Equity and Workplace Skills Development Plans to the relevant authorities, and continues to strive to exceed the required targets. The Board subscribes to the principles of employment equity and recognises the value of demographic and cultural diversity.

The Group is committed to providing equal opportunities for its employees, regardless of their ethnic origin or gender. It actively develops its employees to empower them to fulfil more responsible positions within the Group, while also placing a concerted focus on increasing representation of historically disadvantaged individuals ("HDIs") and women throughout the organisation, thereby reinforcing its diversity and meeting demographic representational requirements.

The Board monitors the Group's compliance with the Skills Development Act (No. 97 of 1998) and ensures that the required plans and reports have been submitted to the relevant authorities. Primeserv is committed to the growth of its own people and recognises the need to continually improve the productivity and performance of its operating units through training and development programmes.

Consideration has been given to the Group's policies, procedures, practices as well as to the working environment to identify equity barriers and any other negative influences that might influence the positive outcome of the Primeserv Employment Equity Plan. A designated officer manages and monitors the implementation of the plan, and a budget is allocated to support developmental goals. When recruiting, Primeserv ensures that, wherever possible, vacancies are filled from within the Group.

Primeserv is committed to the development of all employees and provides equal opportunities in the workplace.

The Group provides skills development opportunities to enable employees to build on their existing strengths and personal potential. It also aligns employment equity targets with skills development programmes and objectives. Employees from designated groups have personal development plans in place to ensure that training, development and study opportunities are made available in order to further promote equity within the staff complement.

In addition, Primeserv offers a mentoring and coaching programme comprising a developmentally oriented relationship between a senior and junior colleague. Mentoring and coaching is an essential aspect of the process of evaluation for promotion. It is designed to assist with goal-setting and planning, as well as to identify certain employees for fast-tracking.

preferential procurement

Primeserv has a rigorous B-BBEE procurement programme in place, which is aimed at increasing the amount of money spent on procurement from highly-rated B-BBEE-compliant enterprises, particularly those that are black-women owned.

corporate social investment

Primeserv's CSI initiatives are close to our hearts. The professional planning and implementation of these initiatives is both a core objective and a privilege.

Primeserv's corporate social responsibility and investment strategy is focused on promoting the sustainable upliftment of disadvantaged communities with primary emphasis on youth development and upliftment, which the Group sees as key to future socio-economic success.

Primeserv continues to create employment and upskilling opportunities for our youth and poorly skilled employees nationally. Our operational activities are aligned to support youth employment, learnerships and skills development grants.

The Group is a long-standing partner and benefactor of the Siyakhula Trust, which works with rural youth to develop leadership skills and capability. The Group makes available financial, professional and skills transfer assistance. We also provide ongoing support to disadvantaged children in informal settlements.

Ongoing initiatives, managed by internal volunteers, aim to support animal welfare organisations in our communities.

The Group continues to provide financial support to Hatzolah who provide world-class, free, emergency medical care to those in need.

The Group prioritises the communities in which we operate, thus increasing employment opportunities while uplifting the very communities in which our employees and their families live.

conscious companies partnership

Primeserv is immensely proud to partner with Conscious Companies which plays an important role in developing and advancing conscious and ethical leadership in South Africa and beyond.

The Group sponsored the Conscious Leadership Summit as well as the Conscious Companies Awards, both instrumental in raising awareness of the importance of conscious and responsible leadership among key stakeholders in our economy.

The Conscious Leadership Academy trains our youth and works to build conscious leadership capacity. We are humbled to partner with such an inspirational organisation and look forward to playing a greater role in the years ahead.

ethical indicators

As a responsible corporate citizen and employer, Primeserv meets the requirements of the various Acts, rules and regulations governing labour, including the Constitution of the Republic of South Africa, the Labour Relations Act (No. 66 of 1995), the Employment Equity Act (No. 55 of 1998), the Skills Development Act and the Basic Conditions of Employment Act (No. 75 of 1997).

The Group is implacably opposed to bribery and corruption and has implemented anti-corruption practices. Employees are discouraged from accepting any gifts or favours from suppliers that obligate them in any way to reciprocate. The Group has also implemented a system that encourages employees to report all incidences or suspicions of fraud, theft, corruption and similar unethical behaviour through a confidential and secure line of communication to either the CEO or to the Chairman.

The Group supports and encourages free external and internal competition in all business units and subsidiary companies. Marketing and advertising is conducted through a variety of mediums by the business entities within the Group, targeting the markets and clients which are appropriate to each business unit. The Group has no record of charges having been laid by the public or competitors regarding misleading or unfair practices or advertisements.

safety, health and environment indicators

Primeserv is fundamentally committed to preventing workplace accidents and fatalities in terms of the Occupational Health and Safety Act (No. 85 of 1993). The Board recognises its responsibility for dealing with safety, health and environment ("SHE") issues and, where applicable, constantly reviews and implements systems of internal control and other policies and procedures to manage SHE risks.

The Group sets high quality standards through an internal review process. Most of the business contracts it enters into are linked to agreed quality levels and service level agreements. Primeserv also adheres to the training standards set down by the relevant accreditation authorities, where applicable, and training programmes are registered and accredited.

environmental indicators

The Group acknowledges its legal, moral, ethical and social duties to take reasonable measures, where applicable, to prevent significant pollution or degradation of the environment from occurring, continuing or recurring.

B Kali
Social and Ethics Committee Chairperson

29 September 2020

contents

directors' approval and responsibility statement

The directors are responsible for the preparation, integrity and fair presentation of the Group annual financial statements and other financial information included in this report. The accompanying annual financial statements have been prepared in conformity with International Financial Reporting Standards, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act No. 71 of 2008 and the JSE Limited Listings Requirements. Applicable accounting assumptions have been used while prudent judgements and estimates have been made.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Risks are identified and appraised both formally, through the annual process of preparing business plans and budgets, and informally through close monitoring of operations. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the Group will not be a going concern in the future based on forecasts and available cash resources.

The annual financial statements support the viability of the Group and have been prepared by Mr R Sack, Financial Director.

The annual financial statements have been audited by the independent auditing firm, Mazars, which was given unrestricted access to all financial records and related data. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The annual financial statements were approved by the Board of Directors on 29 September 2020, and signed on its behalf by:

DL Rose
Chairman

M Abel
CEO

R Sack
FD

level of assurance

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008.

Mazars.

Auditors
Mazars
Registered Auditors

Preparer
Raphael Sack
FD

Published
29 September 2020

statement of compliance by the company secretary

For the year ended 31 March 2020 the Company has, to the best of my knowledge, lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act No. 71 of 2008, as amended, and that all such returns are true, correct and up to date.

ER Goodman Secretarial Services Proprietary Limited
(Represented by M Janse van Rensburg)
Company Secretary

Johannesburg
29 September 2020

The Audit, Governance and Risk Committee has clearly defined terms of reference outlined in the Audit, Governance and Risk Committee Charter which was approved by the Board of Directors. The Charter is available for inspection at the registered office of the Company.

membership

The Committee was elected by shareholders on 29 November 2019 to hold office until the conclusion of the AGM to be held on 27 November 2020. The Committee is chaired by an independent non-executive director, DL Rose, with its other members being B Kali (independent non-executive director) and LM Maisela (non-executive director).

The term of the Committee is for a period from one AGM to the next and its composition is reviewed and approved annually by the Board and recommended by it to shareholders. The Chairman is appointed by the Board immediately following election of the members by shareholders.

Shareholder approval of the appointment of the members of the Committee will be sought at the AGM to be held on 27 November 2020. The members proposed for the Committee are DL Rose, B Kali and LM Maisela, all of whom are non-executive directors with the required skills and expertise, as outlined in the King IV Report on Corporate Governance.

Group executive directors and external auditors attend the meetings by invitation.

external audit

The appointment of Mazars as auditors of the Group will be recommended by the Committee to the shareholders for approval at the AGM on 27 November 2020. The Committee has satisfied itself through enquiry of the independence of the firm. Munesh Patel, a registered independent auditor, was nominated as the designated audit partner. The Committee confirms that the firm is accredited by the JSE.

The required assurance was sought and provided by the auditor that the partners and staff responsible for the audit comply with all legal and professional requirements in relation to independence. The Committee is satisfied that the external auditor complies with the JSE Listings Requirements and is independent of the Group.

The Committee, in consultation with the CEO, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2020 financial year. The budgeted fee is considered appropriate for the work that could reasonably have been foreseen at that time.

Non-audit services rendered by the auditor are governed by a formal procedure and each engagement letter for such services, where material, is reviewed and approved by the Committee. No such services have been rendered during the year ended 31 March 2020.

The external auditors have unrestricted access to the Chairman of the Committee and no matters of concern were raised during the year under review.

The Committee meets at least once a year with the auditors without the presence of any executive directors or management. This is the fourth year that Mazars has conducted the audit.

The audit partner in charge of the audit is rotated off the audit after five years. The current audit partner will be rotating after conclusion of the audit for the year ended 31 March 2021.

risk management

While the Board as a whole is responsible for the Group's risk management, it has delegated authority to the Committee which reports to the Board.

The Committee utilises a heat risk mapping process aimed at identifying key risk areas and key performance indicators.

It assesses and addresses, *inter alia*, physical and operational risk, HR risk, technology risk, business continuity and disaster recovery, credit and market risk and governance and compliance risk. This assists the Board in its assessment and management of risk.

financial risk management

Having regard to the fact that risk is an inherent part of the Group's activities, risk management and the ongoing improvement in corresponding control structures remain key focuses for management in building a successful and sustainable business.

The Board recognises that risk management is a dynamic process and that the risk framework should be robust enough to effectively manage and react to change in an efficient and timeous manner.

Formalisation of a risk management framework is the responsibility of the Group's Board of Directors. The framework ensures:

- efficient allocation of capital across various activities in order to maximise returns and diversification of income streams;
- risk taking within levels acceptable to the Group as a whole and within the constraints of the relevant business units;
- efficient liquidity management and control of funding costs; and
- improved risk management and control.

operational risk management

The structure of the Group promotes the active participation of executive management in all of the operational and strategic decisions affecting their business units. This creates a strong culture of ownership and accountability.

Senior management takes an active role in the risk management process and is responsible for the implementation, ongoing maintenance of and ultimate compliance with the risk process as it applies to each business unit.

The Board is kept abreast of developments through formalised reporting structures, ongoing communication with management, regular management meetings at an operating subsidiary level and through representation of executive members of the Board on certain of the forums responsible for the management of risk at an operating subsidiary level.

The Group remains committed to employing the highest calibre of staff to ensure a strong financial and operational infrastructure within each of the business units.

The Board, through the Committee, has identified a number of matters which it believes requires monitoring and detailing to shareholders. These are summarised in the Integrated Report.

annual financial statements and accounting policies

The Committee has reviewed the accounting policies and the annual financial statements of the Group and is satisfied that they are appropriate and comply in all material respects with International Financial Reporting Standards, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act No. 71 of 2008. Issues involving significant judgement are set out in the summary of accounting policies.

A process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the Group. No matters of significance have been raised in the past financial period.

The Committee fulfilled its mandate and recommended the Integrated Report for the year ended 31 March 2020 for approval to the Board. The Board approved the annual financial statements on 29 September 2020 and the annual financial statements will be open for discussion at the AGM.

JSE proactive monitoring

The Committee has considered the JSE's latest report on their monitoring of annual financial statements and has taken appropriate measures, where necessary, to respond to the findings when preparing the annual financial statements.

group financial director and financial function

The Committee confirms that it is of the view that the Group's FD, R Sack CA(SA), has the necessary expertise and experience to carry out his duties.

The Committee is also satisfied as to the skills and adequacy of resources of the finance function.

approval

This Audit, Governance and Risk Committee Report has been approved by the Board of Directors of Primeserv.

Signed on behalf of the Audit, Governance and Risk Committee.

DL Rose
Chairman of the Audit, Governance and Risk Committee

29 September 2020

nature of business

Primeserv Group Limited is an investment holding company whose trading activities are conducted through its subsidiary companies, providing a comprehensive range of Integrated Business Support Services. These include a broad range of human capital management and consulting services and solutions, productivity and functional outsourcing services, permanent and temporary employment staffing services, training and skills development products and services, as well as related fulfilment services. The Group reports its results in two distinct segments, namely Integrated Business Support Services and Shared Services.

financial results

The financial results of the Group are set out on pages 42 to 73 of this report and in our opinion require no further comment. A review of the Group's results and performance of the business units is contained in the CEO's Report on pages 20 to 22.

share capital

Details of the authorised or issued share capital of the Company are set out in Note 17 – Ordinary Share Capital.

employee share incentive scheme

The total number of shares, which may be purchased and/or in terms of which options may be granted, is equivalent to 20% (twenty percent) of the issued share capital of the Company.

	2020	2019
Shares held by share trust*	**26 189 326**	26 189 326

** No options granted to employees*

The unallocated shares, together with the purchased shares, are intended to be allocated or cancelled in the 2021 financial year. The impact of IFRS 2 – Share-Based Payments, and section 8C of the Income Tax Act No. 58 of 1962 has been evaluated in order to determine the optimum use of the shares held as an incentive mechanism. The directors use the scheme to retain key personnel and for the purpose of providing opportunities to employees to participate in the Group's growth and success.

dividends

A gross final dividend of 1.50 cents per share was declared on 12 June 2020. The aggregate dividend in relation to the financial year ended 31 March 2020 is 3.00 cents per share (2019: 4.00 cents per share). The dividends may be subject to dividends withholding tax, where applicable.

Shareholders are advised that all future dividend payments will be made by electronic funds transfer as major banks are discontinuing the use of cheques and they are thus encouraged to make suitable arrangements.

depreciation

Following the introduction of IFRS16 there is an additional depreciation component namely "depreciation: right-of-use-assets".

directorate

M Abel, B Kali, LM Maisela, DL Rose and R Sack were directors of Primeserv Group Limited throughout the financial year under review and at the date of this report. In terms of the MOI of the Company, B Kali and DL Rose retire as directors at the forthcoming AGM, and, being eligible, offer themselves for re-election.

company secretary

ER Goodman Secretarial Services Proprietary Limited (represented by M Janse van Rensburg) is the Company Secretary.

subsidiary companies

Details of the Company's interest in its subsidiaries are set out on page 58.

directors' interests

As at 31 March 2020, the aggregate direct and indirect beneficial interests of directors in the fully paid issued share capital of the Company were:

	2020 Beneficial	2019 Beneficial
Shares held by:		
Executive Directors		
M Abel	**21 575 003**	21 575 003
R Sack	**524 000**	524 000
Non-Executive Directors		
LM Maisela	**55 000**	55 000
DL Rose*	**70 000**	70 000
Total – Directors	**22 224 003**	22 224 003

** This shareholding is held in a trust.*

At the date of this report, no options are held or have been granted to any of the directors.

The Board assesses the materiality of directors' interests but considers amounts constituting less than 5% (five percent) as not material.

There has been no material change in the directors' interest in the issued share capital between 31 March 2020 and the date of this report.

equipment and vehicles

The Group acquired equipment and vehicles at a cost of R1.0 million (2019: R0.8 million) during the financial year under review. No major changes in the nature of the equipment and vehicles occurred during this year.

going concern assessment

The Board regards the Group to be a going concern as the Group is expected to continue to be profitable in the forthcoming financial year and to have adequate cash and other resources to fund their combined operations, without the need to dispose of any assets or undertake any capital restructuring.

subsequent events

The Covid-19 virus is unprecedented and the effects of the associated lockdowns on the world as well as the local economy, and hence our business, are unlikely to be known for some time. There has been a marked decline in the overall level of sales at most clients, with many shutting completely while others had partial closures. There were, however, some clients that had been deemed to provide essential services and where the effect on our business has been less marked. This material event continues to impact the Group after the reporting date and up to the date of this report.

In April 2020 the Group acquired the Temporary Employment Services and Training Support Services businesses of the Lapace group of companies. The acquisition is expected to enhance the Group's operations in the artisan and skilled labour temporary employment services sector and be of considerable added value to the Group's artisan and semi-professional temporary staffing services offering.

disclosures

The Board has considered the disclosure of accounting policies and only details those policies in the annual financial statements that are significant to the Group.

To the Shareholders of Primeserv Group Limited

report on the audit of the consolidated financial statements

opinion

We have audited the consolidated financial statements of Primeserv Group Limited set out on pages 45 to 73 which comprise the consolidated statements of financial position as at 31 March 2020, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, including a summary of significant accounting policies and notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Primeserv Group Limited as at 31 March 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 Financial Statements section of our report. We are independent of the Group in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

key audit matters

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

matter	audit response
valuation of goodwill (note 15) Goodwill comprises 9% (nine percent) of the total assets of the group. As required by the applicable accounting standards, senior management conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. In order to establish whether an impairment exists, the value-in-use is determined for the cash-generating units ("CGUs") and compared to the net book value. As detailed in Note 15, this determination of an impairment is highly subjective as significant judgement is required in determining the value-in-use as appropriate. The value-in-use is based on the discounted cash flow models for each CGU and requires the estimation and the determination model assumptions, including: • Future revenue; • Operating margins; • Interest rates; and • Discount rates applied to projected future cash flows. The impairment test performed on goodwill is considered to be a key audit matter due to the extent of judgement and estimation involved.	Critical assessment was performed, with the assistance of our valuation experts, to determine whether the model used by management to calculate the value-in-use of the individual and lowest CGUs complies with the requirements of IAS 36 – Impairment of Assets. This included: • Validating assumptions used to calculate discount rates and recalculating these rates; • Analysing future projected cash flows used in models to determine whether reasonable and supportable given the current macroeconomic climate and expected future performance of cash-generating units; and – Assessing the reasonability of forecast assumptions through comparing actual results for 2020 to budgets; – Challenging management as to the reasons for any deviations noted; and – Corroborating reasons obtained from management to supporting documentation. • Subjecting key assumptions to sensitivity analysis; and • Reviewing the adequacy of disclosure as required in terms of IAS 36.

matter	audit response
impact of the outbreak of covid-19 on primeserv's financial statements During the last month of the entity's financial year a global pandemic was announced from the outbreak of Covid-19. The potential impact of Covid-19 became significant in March 2020 due to the nationwide lockdown which has been in effect since 27 March 2020. After the initial lockdown the government implemented a risk-based lockdown level approach which saw the easing of certain limitations. However the lack of a clear timeline on lifting of the various lockdown levels causes further socio-economic uncertainty and may negatively affect the business operations of the Group. The directors' consideration of the impact on the financial statements is disclosed in Note 29. Whilst the situation is still evolving, based on the information available at this point in time, the Board and executive committee has assessed the impact of Covid-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate. As per Note 29 to the financial statements, the Board and Executive Committee have concluded that the financial results for the 31 March 2020 financial year include the impact of Covid-19 for the period. The Group has treated this as an adjusting event.	We performed the following audit work to evaluate the impact of Covid-19 on the Group's business operations and the ability to continue as a going concern in the foreseeable future. We obtained an assessment performed by management and engaged an auditor's expert to review management's assessment, which included, *inter alia* the following: • reviewing and challenging management's going concern assessment incorporating the impact of Covid-19 implications; • evaluating the key assumptions in the assessment prepared by management and assessing the reasonableness of assumptions used given the information existing at the date of the audit procedures; • examining the cash flow forecasts and evaluating whether management's conclusion regarding going concern is appropriate; • assessing the adequacy and appropriateness of management's disclosure in respect of Covid-19 implications, disclosures within principal risks and uncertainties, adjusting balance sheet events and going concern; and • evaluating the cash balances available at year-end.

other information

The Board is responsible for the other information. The other information comprises the information included in the document titled Primeserv Group Limited Integrated Report 2020, which includes the General Information, Board Member Profiles, Report of the Audit, Governance and Risk Committee, Statement of Responsibility by the Board, the Board Report, Management Committee Profile, Notice of the AGM and the Company Secretary's Certificate as required by the Companies Act of South Africa. Other information does not include the consolidated financial statements and our Auditor's Report thereon.

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

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

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.

responsibilities of the board for the consolidated financial statements

The Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board is responsible for assessing the Group'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 Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- Conclude on the appropriateness of the Board's 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Board 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 Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. 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.

report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that this is the fourth year that Mazars has been the auditor for Primeserv Group.

Mazars.

Mazars
Partner: Munesh Patel
Registered Auditor

Johannesburg
29 September 2020

statements of profit and loss and other comprehensive income for the year ended 31 March 2020

	Notes	2020 R'000	2019 R'000
Revenue	1	**807 658**	806 735
Cost of sales	2	**(694 294)**	(694 451)
Gross profit		**113 364**	112 284
Other income		**802**	2 461
Operating expenses		**(86 916)**	(89 483)
Operating profit	3	**27 250**	25 262
Interest received		**650**	293
Interest paid		**(1 118)**	(668)
Profit before taxation		**26 782**	24 887
Taxation	4	**(2 498)**	(1 883)
Profit and total comprehensive income		**24 284**	23 004
Profit and total comprehensive income attributable to:			
Ordinary shareholders of the Company		**26 717**	22 988
Non-controlling interest		**(2 433)**	16
Profit and total comprehensive income		**24 284**	23 004
Basic earnings per share and diluted earnings per share (cents)	5	**30.73**	25.61

statements of financial position
as at 31 March 2020

	Notes	2020 R'000	2019 R'000
assets			
Non-current assets		**43 315**	42 244
Equipment and vehicles	6	**4 783**	5 104
Investment property	14	**4 250**	5 745
Right-of-use assets	7	**5 547**	–
Goodwill	15	**21 178**	21 178
Intangible assets		**–**	430
Deferred tax asset	8	**7 557**	9 787
Current assets		**189 770**	172 372
Inventories		**54**	132
Trade and other receivables	9	**156 958**	165 244
Cash and cash equivalents	10	**32 758**	6 996
Total assets		**233 085**	214 616
equity and liabilities			
Capital and reserves		**160 547**	141 872
Ordinary share capital and share premium	17	**2 672**	2 672
Treasury shares	18	**(19 370)**	(17 292)
Retained earnings		**187 775**	164 589
Equity attributable to equity holders of the Company		**171 077**	149 969
Non-controlling interests		**(10 530)**	(8 097)
Non-current liabilities			
Lease liabilities	13	**2 077**	–
Current liabilities		**70 461**	72 744
Trade and other payables	11	**47 422**	53 370
Lease liabilities	13	**3 820**	–
Bank borrowings	12	**19 219**	19 374
Total equity and liabilities		**233 085**	214 616

statements of changes in equity

for the year ended 31 March 2020

	Share capital R'000	Share premium R'000	Treasury shares R'000	Retained earnings R'000	Total attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
Opening balances at 1 April 2018	1 321	1 351	(16 279)	144 406	130 799	(8 113)	122 686
Total comprehensive income – profit	–	–	–	22 988	22 988	16	23 004
Dividends paid (3.10 cents per share)	–	–	–	(2 805)	(2 805)	–	(2 805)
Acquisitions by company	–	–	(1 013)	–	(1 013)	–	(1 013)
Balances at 1 April 2019	1 321	1 351	(17 292)	164 589	149 969	(8 097)	141 872
Total comprehensive income – profit	–	–	–	26 717	26 717	(2 433)	24 284
Dividends paid (4.00 cents per share)	–	–	–	(3 531)	(3 531)	–	(3 531)
Acquisitions by company	–	–	(2 078)	–	(2 078)	–	(2 078)
Closing balances at 31 March 2020	**1 321**	**1 351**	**(19 370)**	**187 775**	**171 077**	**(10 530)**	**160 547**
Notes	17	17	18				

statements of cash flows
for the year ended 31 March 2020

	Notes	2020 R'000	2019 R'000
Cash flows generated from operating activities		**32 565**	837
Cash generated from operations	A	**33 243**	1 213
Interest received		**650**	293
Interest paid		**(1 118)**	(668)
Taxation paid		**(210)**	(1)
Cash flows utilised in investing activities		**(1 039)**	(776)
Purchase of equipment and vehicles	6	**(1 039)**	(776)
Cash flows utilised in financing activities		**(5 609)**	(3 818)
Acquisition of treasury shares		**(2 078)**	(1 013)
Dividends paid		**(3 531)**	(2 805)
Net increase/(decrease) in cash and cash equivalents		**25 917**	(3 757)
Cash and cash equivalents at beginning of year		**(12 378)**	(8 621)
Cash and cash equivalents at end of year	B	**13 539**	(12 378)

notes to the statements of cash flows
for the year ended 31 March 2020

		Notes	2020 R'000	2019 R'000
A	Cash flows from operating activities			
	Profit before taxation		**26 782**	24 887
	Adjustments		**3 602**	1 961
	– interest received		**(650)**	(293)
	– interest paid		**1 118**	668
	– loss on disposal of equipment and vehicles		**13**	4
	– depreciation, amortisation and impairments		**3 121**	1 582
	Operating cash flows before working capital changes		**30 384**	26 848
	Working capital changes		**2 859**	(25 635)
	– decrease in inventories		**78**	30
	– decrease/(increase) in trade and other receivables		**8 286**	(42 537)
	– (decrease)/increase in trade and other payables		**(5 505)**	16 872
	Cash generated from operations		**33 243**	1 213
B	Cash at bank and borrowings			
	Cash at bank	10	**32 758**	6 996
	Bank borrowings	12	**(19 219)**	(19 374)
			13 539	(12 378)

		2020 R'000	2019 R'000
1.	**revenue**		
	Revenue comprises:		
	Services rendered – over time	**806 607**	806 104
	Services rendered – at a point in time	**1 051**	631
		807 658	806 735
	Approximately 97% (ninety-seven percent) of revenue is derived from temporary staffing and related services		
	Refer to Segment Note for disaggregation (Note 25)		
2.	**cost of sales**		
	Cost of sales comprises:		
	Integrated Business Support Services – payroll, training, consulting and associated costs	**694 294**	694 451
3.	**operating profit**		
	Operating profit is stated after taking into account the following:		
	Depreciation	**1 196**	1 182
	Depreciation: right-of-use assets	**4 860**	–
	Employee costs and benefits	**52 243**	54 910
	Staff costs – short-term	**49 373**	51 928
	Retirement costs	**2 870**	2 982
	Fair value impairment of investment property	**1 495**	700
4.	**taxation**		
	SA normal taxation		
	– current	**–**	–
	Deferred tax		
	– current	**(2 288)**	(1 721)
	Dividend withholding tax	**(210)**	(162)
		(2 498)	(1 883)

	%	%
Tax rate reconciliation		
Statutory tax rate	**28,0**	28,0
Employment tax incentives	**(5,2)**	(16,0)
Dividend withholding tax	**0,8**	0,7
Deferred tax asset not recognised	**(13,0)**	(2,8)
CGT rate on fair value of investment property	**(1,3)**	(2,3)
Effective tax rate	**9,3**	7,6

The estimated tax losses available for set-off against future taxable income are R37.2 million (2019: R39.7 million).

	2020 R'000	2019 R'000
5. earnings per share		
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year as calculated by excluding shares purchased by the Company and held as treasury shares. There are no dilutive potential shares.		
Number of shares in issue ('000)		
Number of shares in issue at the end of the year	**132 063**	132 063
Less: Adjustments to shares in issue		
Treasury shares at the end of the year	**(46 469)**	(43 674)
Number of shares in issue at the end of the year (net of treasury shares)	**85 594**	88 389
Effect of weighting – treasury shares purchased	**1 348**	1 389
Weighted average shares at the end of the year	**86 942**	89 778
Attributable earnings (R'000)	**26 717**	22 988
Basic earnings and diluted earnings per share (cents)	**30.73**	25.61
Headline earnings per share		
Attributable earnings (R'000)	**26 717**	22 988
Headline earnings adjustments (R'000)		
– Loss on disposal of equipment and vehicles	**13**	4
– Impairment of investment in property	**1 495**	700
– Tax effect in respect of adjustments	**(338)**	(298)
Attributable headline earnings	**27 887**	23 394
Earnings and diluted headline earnings per share (cents)	**32.08**	26.06

6. equipment and vehicles

	Computer equipment R'000	Motor vehicles R'000	Furniture, fittings and equipment R'000	Total R'000
2020				
Cost	**4 891**	**453**	**8 701**	**14 045**
Accumulated depreciation and impairment	**(3 644)**	**(400)**	**(4 897)**	**(8 941)**
Net book value at beginning of year	**1 247**	**53**	**3 804**	**5 104**
Additions	**568**	**–**	**471**	**1 039**
Disposals at book value	**(151)**	**–**	**(13)**	**(164)**
Depreciation	**(315)**	**(41)**	**(840)**	**(1 196)**
Net book value at end of year	**1 349**	**12**	**3 422**	**4 783**
Cost	**4 531**	**453**	**6 325**	**11 309**
Accumulated depreciation and impairment	**(3 182)**	**(441)**	**(2 903)**	**(6 526)**
Net book value at end of year	**1 349**	**12**	**3 422**	**4 783**
2019				
Cost	4 507	453	8 396	13 356
Accumulated depreciation and impairment	(3 347)	(309)	(4 186)	(7 842)
Net book value at beginning of year	1 160	144	4 210	5 514
Additions	384	–	392	776
Disposals at book value	–	–	(4)	(4)
Depreciation	(297)	(91)	(794)	(1 182)
Net book value at end of year	1 247	53	3 804	5 104
Cost	4 891	453	8 701	14 045
Accumulated depreciation and impairment	(3 644)	(400)	(4 897)	(8 941)
Net book value at end of year	1 247	53	3 804	5 104

	Office equipment and vehicles R'000	Leasehold property R'000	Total R'000
7. right-of-use assets			
The Group adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative period have been recognised as part of property, plant and equipment. The information presented in this note for right-of-use assets therefore only includes the current period.			
2020			
Net book value at beginning of year	–	–	–
Additions	**5 753**	**4 654**	**10 407**
Depreciation	**(2 161)**	**(2 699)**	**(4 860)**
Net book value at end of year	**3 592**	**1 955**	**5 547**
Cost	**5 753**	**4 654**	**10 407**
Accumulated depreciation and impairment	**(2 161)**	**(2 699)**	**(4 860)**
Net book value at end of year	**3 592**	**1 955**	**5 547**

	2020 R'000	2019 R'000
8. deferred tax asset		
Computed tax losses	**5 888**	6 963
Payroll payables, accruals and allowances for impairments	**3 277**	3 354
Prepayments	**(736)**	(309)
Capital gains tax on fair value adjustments	**(18)**	(18)
Work in progress	**(854)**	(203)
	7 557	9 787
Reconciliation between deferred tax opening and closing balance		
Deferred tax opening balance	**9 787**	11 153
Computed tax losses	**(1 075)**	(3 635)
Payroll payables, accruals and allowances for impairments	**(77)**	1 688
Prepayments	**(427)**	(91)
Capital gains tax on fair value adjustments	–	268
Work in progress	**(651)**	404
Deferred tax at end of year	**7 557**	9 787
Deferred tax assets	**8 194**	10 073
Deferred tax liabilities	**(637)**	(286)
Deferred tax at end of year	**7 557**	9 787

Tax losses of R26.9 million (2019: R38.0 million) have been recognised on the basis of future sustainable profits based on an extrapolation of budgets prepared by management as well as the application of discounted cash flow with assumptions made for future growth. Work in progress relates to time worked by assignees but which has not yet been paid or invoiced at the end of the year.

	2020 R'000	2019 R'000
9. trade and other receivables		
Trade receivables	**152 085**	160 313
	4 873	4 931
Other receivables	**3 385**	3 826
Prepayments	**1 488**	1 105
	156 958	165 244

The debtor cover policies held with Credit Guarantee Insurance Corporation of Africa Limited have been ceded to the Group's bankers as security for overdraft facilities granted to the Group. Refer Note 12.

Based on the historic level of customer defaults, the risk covered by credit insurance contracts and the VAT component recoverable from SARS, the credit quality of year-end trade receivables which are current is considered to be high. As at 31 March 2020, trade receivables of R9 936 000 (2019: R10 507 000) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Due to the short-term nature of the trade and other receivables, the fair value approximates the carrying value.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an a credit assessment and individual credit limits are defined in accordance with this assessment.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the entity, and a failure to make contractual payments for a period of greater than 120 days past due date. This is based on historical recovery patterns.

The expected credit loss ("ECL") rates are based on the payment profiles of sales over a period of 48 month before 31 March 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of South Africa to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 120 days and are not subject to enforcement activity.

Credit insurance policies have largely mitigated the Group's overall exposure to credit risk. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

9. trade and other receivables (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix. The gross carrying amount is calculated by deducting from the trade receivables balances any VAT charged as this amount may be recovered from SARS as an input VAT amount arising from a bad debt. The balance is further reduced by the amount of credit insurance in place. Against this amount the historical loss rates are then applied to arrive at the ECL. The aggregate net losses over the past number of years has not been significant and therefore the ECL is also not expected to be significant.

	Current	30 Days	60 Days	90 Days	120 Days	Total
31 March 2020						
Expected default rate	**0.0000%**	**0.0216%**	**0.0384%**	**0.0132%**	**0.2377%**	**0.0253%**
Gross carrying amount (R'000)	**10 216**	**6 990**	**760**	**368**	**1 310**	**19 644**
Lifetime ECL (R'000)	**–**	**2**	**–**	**–**	**3**	**5**
31 March 2019						
Expected default rate	0.0000%	0.0229%	0.0297%	0.0804%	0.3857%	0.0294%
Gross carrying amount (R'000)	13 542	8 342	1 090	225	1 235	24 434
Lifetime ECL (R'000)	–	2	–	–	5	7

The expected default rate is calculated by assigning a weighing that recognises that as debts age the likelihood of default increases. This is then adjusted based on actual historical defaults, net of recoveries, to arrive at the expected default rate.

The ECL in relation to financial assets is not considered to be material and accordingly no adjustment has been made to the balances at year-end.

	2020 R'000	2019 R'000
10. cash and cash equivalents		
Cash on hand	**60**	51
Bank balances and short-term deposits	**32 698**	6 945
	32 758	6 996
11. trade and other payables		
Trade payables	**31 955**	37 096
Payroll payables	**15 467**	16 274
	47 422	53 370
Trade payables are ordinarily payable 30 days from statement date.		
12. bank borrowings		
The Group's operations are funded through an overdraft facility that bears interest at the prime bank overdraft rate per annum less 1.0% (one percent) (2019: prime overdraft rate per annum less 0.5%).	**19 219**	19 374
	19 219	19 374

The facilities are secured through a combination of the cession of the debtor cover policies held with Credit Guarantee Insurance Corporation of Africa Limited and cross-surety arrangements between the Group companies. The Group has also undertaken not to reduce its tangible equity to below R35 750 000 (2019: R35 750 000).

The Group has an overdraft facility of R54 million (2019: debtor finance facility of R54 million) utilised by various subsidiaries. At year-end the unutilised amount was R35.8 million (2019: R35.6 million). Facilities revolve month-to-month.

	2020 R'000	2019 R'000
13. lease liabilities		
Balance at 1 April 2019	**10 663**	–
Accretion of interest during the year	**219**	–
Payments	**(4 985)**	–
	5 897	–
Current	**3 820**	–
Non-current	**2 077**	–
	5 897	–

Depreciation expense – refer Note 7.
Expenses relating to low value or short-term leases are included in operating expenses.
Maturity analysis – refer Note 22.
Interest paid is included in the amount as disclosed on the face of the statement of comprehensive income.

Leases typically relate to leasehold property, office equipment and motor vehicles.

	2020 R'000	2019 R'000
14. investment property		
Opening value	**5 745**	6 445
Fair value adjustment	**(1 495)**	(700)
Properties at fair value	**4 250**	5 745

Investment properties consist of four vacant stands on Portions 308, 309, 310 and 312 (a portion of portion 2) Farm Eiland 13 No. 502, I.Q., North West Province, and a house on Portion 96 (a portion of portion 2) Farm Eiland 13 No. 502, I.Q., North West.

These properties were acquired in 2012 in a multi-party transaction resulting in the exchange of long outstanding debtor claims for a fixed property and the application of cash for the acquisition of the balance of the property portfolio. The vacant stands are being held for capital appreciation whilst the house is held for rental income.

Independent valuations were performed in 2018 by a valuation expert, Brian Jeffrey Mylod, owner of Smitties Estates, appraiser appointed in terms of section 6 of the Administration of Estates Act of 1965 for the district of Parys, as well as member of the Valuation Court of Parys. Due to the Covid-19 lockdown, no independent valuation could be performed at the end of the year under review. The directors' deemed that in the circumstances it would be prudent to impair the properties further.

The valuations stated above are in line with the directors' valuations of the same properties.

Management believes that any reasonable change in the key assumptions listed above would not cause the fair value to differ materially.

Income of R Nil (2019: R Nil) was earned from the investment properties during the year.

Operating costs incurred primarily relate to the payment of levies, power and water charges, and repairs and maintenance and totalled R225 000 (2019: R111 000).

15. goodwill

Goodwill has been allocated for impairment testing purposes to the Group's operating units, which represents the lowest level of assets for which there are separate cash flows, and as reported in Note 25, as follows:

	2020 R'000	2019 R'000
Integrated Business Support Services	**21 178**	21 178
The impairment calculations performed indicated that no impairment of goodwill was necessary		
Goodwill is attributable to the following cash-generating units:		
Bathusi Staffing Services Proprietary Limited	**4 877**	4 877
Primeserv Corporate Solutions Proprietary Limited	**3 158**	3 158
Primeserv Denverdraft Proprietary Limited	**5 738**	5 738
Primeserv Staff Dynamix Proprietary Limited	**7 405**	7 405
	21 178	21 178

Impairment

The recoverable amount of the cash-generating units has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on the financial budget approved by management covering the next financial year and a discount rate of 20% (twenty percent) (2019: 20%). Cash flows beyond the next year have been extrapolated for a further nine (2019: nine) years, at 10% (ten percent) (2019: 10%) growth in years two to five and 7% (seven percent) (2019: 7%) thereafter, which the directors believe is justified as it is a reasonable minimum period to expect the Group's operations to continue.

The impairment calculations performed indicated that no impairment of goodwill was necessary.

Management considers that any reasonable change in any of these key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

16. details of subsidiary companies and share trust

As at 31 March 2020

Subsidiaries	Country of incorporation	Ordinary Share Capital R	Portion held directly or indirectly by holding company %	Ownership portion and voting rights of non-controlling interests %	Class A Preference Share Capital R
Bathusi Staffing Services Proprietary Limited*	South Africa	100	45.0	55.0	
Empvest Outsourcing Proprietary Limited*#	South Africa	1 000	35.8	64.2	
Primeserv ABC Recruitment Proprietary Limited	South Africa	100	74.2	25.8	370
Primeserv Consulting Proprietary Limited	South Africa	100	74.2	25.8	
Primeserv Corporate Solutions Proprietary Limited	South Africa	100	74.2	25.8	37
Primeserv Denverdraft Proprietary Limited	South Africa	100	99.0	1.0	
Primeserv Employee Solutions Proprietary Limited	South Africa	100	74.2	25.8	392
Primeserv Productivity Services Proprietary Limited	South Africa	100	100.0	–	
Primeserv Properties 1 Proprietary Limited	South Africa	100	100.0	–	
Primeserv Properties 2 Proprietary Limited	South Africa	100	100.0	–	
Primeserv Properties 3 Proprietary Limited	South Africa	100	100.0	–	
Primeserv Properties 4 Proprietary Limited	South Africa	100	100.0	–	
Primeserv Recruitment Services Proprietary Limited	South Africa	100	100.0	–	
Primeserv Staff Dynamix Proprietary Limited	South Africa	100	74.2	25.8	
Primeserv Group Share Trust	South Africa	–	–	–	
Impairment provision – primarily Empvest Outsourcing Proprietary Limited					
					799

Notes

The Group is controlled by Primeserv Group Limited. Primeserv Group Limited is also the Group's ultimate controlling company.

The Integrated Business Support Services businesses operate through Primeserv ABC Recruitment Proprietary Limited, Primeserv Corporate Solutions Proprietary Limited, Primeserv Denverdraft Proprietary Limited, Primeserv Employee Solutions Proprietary Limited, Primeserv Recruitment Services Proprietary Limited, Primeserv Staff Dynamix Proprietary Limited and Bathusi Staffing Services Proprietary Limited.

Primeserv Productivity Services Proprietary Limited is the subsidiary nominated to acquire shares in the holding company.

Primeserv Consulting Proprietary Limited is dormant.

Primeserv Properties 1 Proprietary Limited, Primeserv Properties 2 Proprietary Limited, Primeserv Properties 3 Proprietary Limited and Primeserv Properties 4 Proprietary Limited are the companies designated to hold various properties, but are currently dormant.

The loans bear interest at the bank prime overdraft rate less 1.0% (one percent) (2019: bank prime overdraft rate less 0.5%), are unsecured and have no fixed terms of repayment. The carrying value of the loans approximates the fair value of the loans, as the loans bear interest at market-related interest rates. Loans are considered to be of good credit quality unless there are contrary indications, such as significant and sustained operating losses.

* *These companies are subsidiaries of Primeserv Group Limited based on the following rationale:*
The Primeserv Board and management team directs the daily operations and decision-making processes for these entities and therefore these are considered to be controlled entities.

\# *Empvest Outsourcing was deregistered after year-end.*

Portion held directly or indirectly by holding company %	Class B Preference Share Capital R	Portion held directly or indirectly by holding company %	Carrying amount of investment in subsidiaries 2020 R'000	Carrying amount of investment in subsidiaries 2019 R'000	Amounts owing by/(to) subsidiaries 2020 R'000	Amounts owing by/(to) subsidiaries 2019 R'000
			–	–	**6 669**	6 119
			–	–	**–**	1 400
100	448	74.2	**46 827**	46 827	**24 128**	21 052
			–	–	**(469)**	(480)
100	618	74.2	**–**	–	**(1 389)**	(1 290)
			–	–	**8 197**	7 788
100	276	74.2	**52 229**	52 229	**(15 465)**	(80 873)
			–	–	**(345)**	52
			–	–	**23**	23
			–	–	**23**	23
			–	–	**–**	–
			–	–	**–**	–
			–	–	**11 127**	(1 025)
			–	–	**(38 025)**	19 798
			–	–	**10 747**	10 532
			–	–	**(48)**	(1 854)
	1 342		**99 056**	**99 056**	**5 173**	**(18 735)**
					60 865	64 933
					(55 692)	(83 668)
					5 173	(18 735)

		2020 R'000	2019 R'000
17.	ordinary share capital		
	Authorised		
	500 000 000 ordinary shares of 1 cent each	**5 000**	5 000
	Issued		
	132 062 743 (2019: 132 062 743) ordinary shares of 1 cent each	**1 321**	1 321
	Share premium	**1 351**	1 351
		2 672	2 672

		Number of shares	Number of shares
18.	treasury shares		
	Opening number of shares ('000)	**43 674**	41 999
	Purchased during the year ('000)	**2 795**	1 675
	Closing number of shares ('000)	**46 469**	43 674
	Average price per share acquired during the year (cents)	**60**	74

The shares were acquired by Primeserv Group Limited. 9 095 712 shares were delisted after year-end and reverted to authorised but unissued share capital.

19. directors' remuneration

	For services as directors R'000	Remuneration R'000	Retirement benefits R'000	Other benefits R'000	Bonuses R'000	Total R'000
	Short-term benefits					
2020						
Executive directors	**–**	**6 029**	**528**	**448**	**3 415**	**10 420**
M Abel	**–**	**4 464**	**403**	**170**	**2 850^**	**7 887**
R Sack	**–**	**1 565**	**125**	**278**	**565**	**2 533**
Non-executive directors#	**1 110**	**–**	**–**	**–**	**–**	**1 110**
JM Judin*	**164**	**–**	**–**	**–**	**–**	**164**
B Kali	**102**	**–**	**–**	**–**	**–**	**102**
LM Maisela	**227**	**–**	**–**	**–**	**–**	**227**
CS Ntshingila**	**205**	**–**	**–**	**–**	**–**	**205**
DL Rose	**412**	**–**	**–**	**–**	**–**	**412**
	1 110	**6 029**	**528**	**448**	**3 415**	**11 530**
2019						
Executive directors	–	5 658	500	394	1 527	8 079
M Abel	–	4 213	384	156	1 200	5 953
R Sack	–	1 445	116	238	327	2 126
Non-executive directors	–	–	–	–	–	–
JM Judin*	–	–	–	–	–	–
LM Maisela	–	–	–	–	–	–
CS Ntshingila**	–	–	–	–	–	–
DL Rose	–	–	–	–	–	–
	–	5 658	500	394	1 527	8 079

There are no directors for whom the remaining period of the service-contract exceeds three years and the notice period exceeds six months.

^ *A portion of the current year bonus for M Abel relates to both long-term and short-term incentive programmes applicable to prior years, but which was voluntarily withheld pending resolution of the approval of non-executive directors' fees.*

Non-executive remuneration relates to fees approved at the AGM held on 29 November 2019 in relation to the years in the table below. As the remuneration was not approved in the respective financial years it has all been recognised in the current year.

	2020	2019	2018	Total
JM Judin*	–	105	59	164
B Kali	102	–	–	102
LM Maisela	70	108	49	227
CS Ntshingila**	–	135	70	205
DL Rose	183	170	59	412
	355	518	237	1 110

* *JM Judin (resigned as a non-executive director on 18 March 2019)*

** *CS Ntshingila (resigned as a non-executive director on 12 February 2019)*

	2020 R'000	2019 R'000
20. key management remuneration		
Key management remuneration	**10 474**	9 958

Key management includes senior executives responsible for day-to-day operations.

Comprises of short-term benefits including remuneration, retirement and other benefits, and bonuses. The amounts relating to retirement benefits form part of current remuneration but are intended to fund the employees' retirement.

21. retirement benefits

The Group presently contributes to defined contribution retirement benefit plans, being pension funds governed by the Pension Funds Act, 1956, which, due to the nature of the funds, do not require actuarial valuations.

Retirement contributions for the year amounted to R2.9 million (2019: R3.0 million).

The Group has no obligations to fund post-retirement medical benefits.

22. risk management

The risk management function within the Group is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risk stays within these limits.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Management's objectives for managing market risk is to minimise the effects of interest rate risk by limiting the Group's exposure.

Interest Rate Risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. As part of the process of managing the Group's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

The Group analyses its exposure to interest rate risk on a dynamic basis using sensitivity analysis to assess the effects of changes in interest rates applied to interest-bearing borrowings and the consequent adjustments to profit and loss. Based on these analyses, which are calculated on adjustments of 50 basis points in the interest rate, being management's assessment of the reasonably possible changes in interest rates, the effect on pre-tax earnings of an increase/decrease in the rate is calculated to be a decrease/increase in earnings of R49 000 (2019: R45 000). The Group's sensitivity to interest rates has decreased during the current year due to the decrease in borrowings at year-end.

Liquidity Risk

Liquidity risk refers to the ability to meet funding obligations as they fall due. The Group's treasury function is centralised thus ensuring that capital is allocated appropriately across the Group and that funding and commitments are met timeously.

The Group maintains cash and cash equivalents with various financials institutions. The Group's policy is designed to limit exposure with any one financial institution which ensures that the Group's cash equivalents and short-term investments are placed with financial institutions with a high credit rating.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Cash surpluses are placed on call with major financial institutions.

22. risk management (continued)

The table below analyses the Group's financial liabilities into maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity dates:

Financial liabilities – maturity analysis

Contractual undiscounted cash flows from:	One month	Two to three months	Four to six months	Seven to 12 months	More than a year	Carrying amount
2020						
Trade and other payables	**30 172**	**–**	**–**	**–**	**–**	**30 172**
Lease liabilities	**337**	**664**	**982**	**1 837**	**2 436**	**6 256**
Bank borrowings*	**19 219**	**–**	**–**	**–**	**–**	**19 219**
	49 728	**664**	**982**	**1 837**	**2 436**	**55 647**
2019						
Trade and other payables	37 096	–	–	–	–	37 096
Bank borrowings*	19 374	–	–	–	–	19 374
	56 470	–	–	–	–	56 470

* *Bank borrowings relate to facilities which usage revolves from month to month.*

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents held at banks, trade receivables and loans receivable. Credit risk is managed on a Group basis.

The Group maintains cash, cash equivalents and short-term investments with various financial institutions. The Group's policy is designed to limit exposure with any one financial institution and ensures that the Group's cash equivalents and short-term investments are placed with high credit quality financial institutions.

Trade receivables consist of a large number of customers spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Refer Note 9 – Trade and other receivables.

Credit risk within the Staffing Services unit is mitigated through a process of credit assessments as well as the use of credit insurance where available. Within the Training and Consulting Services unit all new debtors are subject to an internal credit assessment process, but without the use of credit insurance.

The credit risk on the inter-company receivables, including group loans, is managed through the day-to-day involvement by management of the Group in the operations of the Group entities to ensure that the risk on these receivables is mitigated and that the amounts remain recoverable through the success of the operations.

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to shareholders through the optimisation of the Group's debt to equity ratio. The Group's overall strategy remains unchanged from previous years. The Group is not subject to externally imposed capital requirements other than conditions imposed by the Group's bank.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 12, cash and cash equivalents and equity attributable to equity shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the statement of changes in equity.

22. risk management (continued)

Fair Value

Fair value measurements can be classified into three levels, based on the observability and significance of the inputs used in making the measurement.

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

– Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses assets and liabilities carried at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1	Level 2	Level 3
2020			
Investment property	**–**	**–**	**4 250**
2019			
Investment property	–	–	5 745

Refer Note 14 for the reconciliation.

23. related party transactions

Subsidiary Companies

The subsidiary companies are identified in Note 16.

Directors

The names of the directors are listed on page 16. Refer to Note 19 for details of the directors remuneration.

As part of the ongoing maintenance and retention of key personnel programme, fixed term employment contracts, not longer than three years, have been entered into with M Abel and certain key management. The contract entered into with M Abel includes terms and conditions relating to an interest free loan facility through the Primeserv Group Limited Share Trust with a maximum of R700 000. Such amount will fund the purchase by him of shares in the Company at a price not exceeding 10% (ten percent) below the ruling market price.

There were no share options granted or outstanding to any directors or employees during the year or at the reporting date.

	2020 R'000	2019 R'000
Transactions with subsidiary companies		
Management fees/cost recoveries from subsidiaries	**14 960**	19 152
Preference dividends from subsidiaries	**6 848**	6 848
Preference dividends receivable	**13 760**	71 177

Refer Note 16 for details of subsidiary company loan balances with the holding company.

	2020 R'000	2019 R'000
24. operating lease commitments		
Lease commitments		
Future lease charges for premises and equipment and vehicles		
Payable within one year		
– premises	**73**	3 101
– vehicles and equipment	**289**	2 504
	362	5 605
Payable two to five years		
– premises	**–**	3 635
– vehicles and equipment	**221**	2 031
	221	5 666

The operating lease commitments relate to those assets that are either of low value and/or have less than 12 months of lease payments remaining. There are no lease commitments beyond the five-year period. Leases on premises are subject to market-related escalations with renewal options at the Group's discretion. The leases in respect of premises are for periods up to five years and there are no contingent rentals payable. Leases for motor vehicles are for initial periods of three years and are occasionally extended beyond the initial period for further periods of up to two years.

	Integrated Business Support Services R'000	Shared Services R'000	Total R'000
25. segmental analysis – operating segments			
2020			
Profit/(loss) before taxation	**35 911**	**(9 129)**	**26 782**
Taxation	**(5 054)**	**2 556**	**(2 498)**
Profit/(loss) after taxation	**30 857**	**(6 573)**	**24 284**
Revenue: sales to external customers	**807 658**	**–**	**807 658**
Revenue: inter-segment revenue	**69**	**–**	**69**
Operating profit/(loss)	**36 921**	**(9 671)**	**27 250**
Depreciation, amortisation and impairments	**(6 590)**	**(1 391)**	**(7 981)**
Operating lease rentals	**2 247**	**–**	**2 247**
Employee costs and benefits	**39 162**	**13 081**	**52 243**
Interest received	**47**	**603**	**650**
Interest paid	**(1 059)**	**(59)**	**(1 118)**
Assets	**215 541**	**17 544**	**233 085**
Liabilities	**60 251**	**12 287**	**72 538**
Net assets	**155 290**	**5 257**	**160 547**

25. segmental analysis – operating segments (continued)

	Integrated Business Support Services R'000	Shared Services R'000	Total R'000
2019			
Profit/(loss) before taxation	35 584	(10 697)	24 887
Taxation	(4 878)	2 995	(1 883)
Profit/(loss) after taxation	30 706	(7 702)	23 004
Revenue: sales to external customers	806 735	–	806 735
Revenue: inter-segment revenue	90	–	90
Operating profit/(loss)	35 678	(10 416)	25 262
Depreciation, amortisation and impairments	(1 246)	(852)	(2 098)
Operating lease rentals	7 929	66	7 995
Employee costs and benefits	46 831	8 079	54 910
Interest received	135	158	293
Interest paid	(619)	(49)	(668)
Assets	196 651	17 965	214 616
Liabilities	60 062	12 682	72 744
Net assets	136 589	5 283	141 872

In terms of IFRS 8: Operating Segments, the chief operating decision maker has been identified as the Group's CEO. Operating segments have been identified based on the Group's internal reporting reviewed by the CEO and executive directors for assessing performance and making strategic decisions.

The Group's operating segments are Integrated Business Support Services and Shared Services.

Any assets or liabilities that cannot be attributed directly to the Integrated Business Support Services are allocated to Shared Services.

The Integrated Business Support Services segment provides a broad range of human capital and management and consulting services and solutions, productivity and functional outsourcing services, permanent and temporary employment staffing services, training and skills development products and services, as well as related fulfilment services. The Group's Shared Services segment provides group-wide support services. The Group changed the composition of the reportable segments which has resulted in the aggregation of the Staffing Services and Training and Consulting Services segments into one segment. The comparatives have been restated accordingly.

Segment results, which are based on internal management reporting are regularly reviewed by the Group's executive management and have been reconciled to the Group's profit before taxation. External revenue, total assets and total liabilities as disclosed in the segment analysis agree to the corresponding amounts as disclosed in the annual financial statements. The measurement policies applied for segment reporting under IFRS 8 are the same as those used in the preparation of the annual financial statements. Inter-segment transfer pricing is done on the same terms as sales to external customers.

Details of geographic areas serviced are indicated on page 6, "our national footprint".

Primeserv's top 50, blue-chip clients account for approximately 92% (ninety-two percent) of the revenue within the Integrated Business Support Services segment.

	2020 R'000	2019 R'000
26. financial assets by category		
Trade receivables	**152 085**	160 313
Cash and cash equivalents	**32 758**	6 996
Total financial assets at amortised cost	**184 843**	167 309
27. financial liabilities by category		
Trade payables	**30 172**	37 096
Lease liabilities	**5 897**	–
Bank borrowings	**19 219**	19 374
Total financial liabilities at amortised cost	**55 288**	56 470

28. events after reporting period

A final gross dividend of 1.50 cents per share was declared on 12 June 2020, payable to shareholders recorded in the register on 20 July 2020.

The Covid-19 pandemic is unprecedented and the effects of the associated lockdowns on the world as well as the local economy, and hence the business, are unlikely to be known for some time. There has been a marked decline in the overall level of sales at most clients, with many shutting completely while others had partial closures. There were a few clients that were deemed to provide essential services and where the effect on our business has been less marked.

In April 2020 the Group acquired the Temporary Employment Services and Training Support Services businesses of the Lapace group of companies. The acquisition is expected to enhance the Group's operations in the artisan and skilled labour temporary employment services sector and be of considerable added value to the Group's artisanal and semi-professional temporary staffing services offering.

These were the only material events which have occurred after the reporting date and up to the date of this report.

29. going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. Whilst revenue at the onset of the Covid-19 pandemic was severely affected by the national lockdown imposed by government, revenue subsequently has improved as the lockdown restrictions have been eased and levels of commercial activity have increased. Certain operational adjustments were made across the Group's operations, in response to the pandemic which have mitigated some of the effects of the reduced revenue and which are continuing to be applied where appropriate. The Group's solvency and liquidity position has been reviewed, taking into account the availability of funds and financing facilities, and operational budgets and cashflow forecasts have been adjusted taking the evolving circumstances into consideration. Management has also considered the appropriateness of the assumptions and estimates applied in the preparation of the financial statements. Covid-19 has been treated as an adjusting event.

principal accounting policies

The consolidated financial statements incorporate the following principal accounting policies, which are consistent with those applied in the previous year, except for the adoption of new accounting standards.

basis of preparation

These consolidated annual financial statements are prepared in accordance with, and comply with the JSE Listings Requirements, International Financial Reporting Standards ("IFRS"), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the South African Companies Act (No. 71 of 2008). The consolidated annual financial statements are prepared in accordance with the going-concern principle on the historical cost basis, except for the measurement of investment properties at fair value.

The preparation of annual financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Certain areas involve a high degree of judgement and certain assumptions and estimates are significant to the annual financial statements. Actual amounts could differ from these estimates.

The results are presented in Rand, which is Primeserv Group Limited's reporting currency, and are rounded to the nearest thousand.

Adoption of New International Financial Reporting Standards

IFRS 16: Leases

In the current year, the Group has applied IFRS 16 that is effective for annual periods that begin on or after 1 January 2019. The Group is only a lessee in the years presented.

IFRS 16 supersedes IAS 17 – Leases, IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC-15 – Operating Leases-Incentives and SIC-27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring a lessee to adopt a single model for lessee accounting. Lessees are required, with the exception of short- term leases and leases of low value assets, to recognise at initial recognition, lease liability and right-of-use asset for a contract which is or contains a lease.

Lessor accounting under IFRS 16 remains unchanged from IAS 17 – Leases ("IAS 17").

The details of the accounting policies under IFRS 16 and IAS 17 are disclosed in Note 7.

The Group elected to adopt IFRS 16 Leases prospectively from 1 April 2019 using the cumulative catch-up approach without restating comparative figures. IFRS 16 replaces the existing standard and related interpretations.

The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 April 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 at the date of initial application. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 April 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project and the project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

Other Practical Expedients Applied

The Group applied the following practical expedients when applying IFRS 16 for the first time:

a) Not to recognise right-of-use assets and lease liabilities of leases for which the lease term ends within 12 months as of 1 April 2019;

b) Not to recognise right-of-use assets and lease liabilities for leases for which the underlying asset is of low value;

c) Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application;

d) Use of hindsight for contracts which contain an option to extend or terminate a lease.

The Group previously classified its lease of office space as operating leases under IAS 17. Under IFRS 16, the Group recognised, for each lease:

a) a lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019; and

b) a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any lease accruals relating to that lease recognised in the statement of financial position immediately before 1 April 2019.

In the determination of lease liabilities, the Group also applied the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Following the recognition of the right-of-use assets, the Group tested the right-of-use assets on 1 April 2019 for impairment and concluded that the right-of-use assets show no indication of impairment.

The Group uses incremental borrowing rates at 1 April 2019 to discount the remaining lease payments at 1 April 2019 when measuring the lease liabilities. The weighted-average incremental borrowing rate ("IBR") applied by the Group at 1 April 2019 is 6.75%.

	R'000
Operating lease commitments as at 31 March 2019	11 271
Discounted using the incremental borrowing rate at 1 April 2019	(608)
Lease liabilities at 1 April 2019	10 663

The adoption of IFRS 16 has had the following impact on the Group:

- Right-of-use assets of R10 406 000 were recognised and presented in the statement of financial position within "Property, plant and equipment".
- Additional lease liabilities of R10 406 000 (included in "Other liabilities") were recognised.
- The adoption of IFRS 16 had no impact on the Group's retained earnings.
- A depreciation expense of R4 860 000 and an interest expense of R184 000 was recognised in the Statement of Profit or Loss and Comprehensive Income.

judgements and estimates made by management

Covid-19

The full effects of Covid-19 are unlikely to be known for some time. At the time of completing this report there was no obvious indication that any of the assets as presented in the Statement of Financial Position, other than the investment property, would require any impairment due to the pandemic and no adjustment has therefore been made. To date there has been no observable impact of Covid-19 on trade receivables.

Estimates

Carrying Value of Goodwill

Goodwill has been tested for impairment based upon establishing an enterprise value using a discounted cash flow approach in terms of which a cash flow for the enterprise in respect of which the goodwill value is carried, is developed based upon assumptions regarding future growth in profitability, cash applied to the business and the free cash generated by the enterprise, and is discounted at an appropriate risk adjusted rate. The recoverable amount of goodwill was calculated by determining its value-in-use through the discounted cash flow method.

Recoverability of Deferred Tax Assets

The Group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Recoverability of Trade Receivables and Expected Credit Loss

The recoverability of trade receivables is assessed by giving careful consideration to the exposures that the Group carries. In this regard the directors believe that the amount carried in the statements of financial position is collectable having taken account of risks covered by credit insurance contracts, the VAT component recoverable from SARS, impairment provisions raised and the default history of customers. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Fair Value of Investment Properties

The fair values of investment properties are determined on the comparable sales approach which takes into account recent sales histories. Group policy is to have the investment properties valued by an independent valuator every two years.

Determination of the Incremental Borrowing Rate

The Group cannot readily determine the interest rate implicit in the leases it enters into and therefore it uses its IBR to measure its lease liabilities.

The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-to-use asset in a similar economic environment. The IBR therefore reflects what the Group expects it would have to pay and estimates the IBR using indications from its primary bankers.

Judgements

Assessment of Control

The Group is considered to exercise control over a company in which it does not have a majority stake when it has the ability to control the activities of that company and to earn variable returns from it. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The Primeserv Group Limited Share Trust is a share incentive trust which is funded by a loan and dividends received from Primeserv Group Limited. In the judgement of management, the Group controls the trust in accordance with IFRS 10 – Consolidated Financial Statements.

Impairment of Financial Assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the entity's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the notes.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the entity, and a failure to make contractual payments for a period of greater than 120 days past due date. This is based on historical recovery patterns.

The Group uses an allowance account to recognise its credit losses on trade and other receivables. It applies the simplified approach of recognising lifetime Expected Credit Losses for the trade receivables. The Group applied a practical expedient in measuring the expected credit loss, using a provision matrix in determining the impairment. This matrix uses the historical credit loss, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast conditions at the reporting date.

Determination of the Lease Term for Lease Contracts with Renewal and Termination Options (Group as a Lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend or terminate the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of its ability to exercise or not to exercise the option to renew.

Principles of Consolidation and Goodwill

The Group consists of the holding company, its subsidiaries and a share incentive trust. The annual financial statements of subsidiaries are consolidated from the date on which the Group acquires effective control up to the date that effective control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

The Group Share Incentive Trust is included in the holding company standalone accounts as a subsidiary. The holding company does not hold an equity interest in the trust.

Goodwill is tested annually for impairment and whenever there is an indicator of impairment. For the purposes of impairment testing goodwill is allocated to cash-generating units expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognised if the carrying amount of the cash-generating unit exceeds its recoverable amount. Impairment losses on goodwill are not reversed.

Negative goodwill is recognised in profit or loss in the period in which it arises.

non-controlling interest

Non-controlling interest in the net assets is determined as the non-controlling shareholders' proportionate share of the fair value of the identifiable net assets of the subsidiary acquired at the date of the original business combination, together with the non-controlling shareholders' share of changes in equity since the date of the combination.

revenue

Group revenue consists of services rendered to customers and is stated net of value-added taxation. Revenue is derived from the supply of temporary employment services, permanent placements fees and consulting and training fees. Fees received in advance are recognised over the period of the course or project and take into consideration the stage of completion which is based on what services have been delivered relative to what remains to be delivered as measured against the deliverables in the particular course outline. Income received on long-term staff supply and training contracts is recognised as it is earned.

The Group does not adjust the amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a good or service to a customer and when the customer pays for that good or service will not exceed one year.

Revenue Type	Performance Obligation	Transaction Price	Recognition
Temporary employment services	Fees earned for the services rendered by assignees at clients	Linked to the assignee's rate of pay	Over time as assignee renders the service
Permanent placement fees	Fees earned when an assignee or candidate commences permanent employment at a client	Usually determined as a percentage of the assignee's or candidate's remuneration	On commencement of employment
Consulting fees	Fees earned for consulting services rendered	Per agreement based on services required	Over time or at the point when the service is delivered
Training fees	Fees for training services provided	Per agreement based on services required	Over time

cost of sales

Cost of sales in the context of the Staffing Services unit relates primarily to employee costs, whilst those for the Training and Consulting Services unit consist of costs directly related to the training or consulting service, and are recognised in profit and loss in the same period as when the revenue related to the service is recognised.

leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-Use Assets

The Group recognises right-of-use assets at the commencement date of the lease and these typically relate to leasehold property, office equipment and motor vehicles.

Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life and the lease term.

The right-of-use assets are presented within Note 7 and are subject to impairment in line with the Group's impairment of non-financial assets policy.

Lease Liabilities

The Group recognises lease liabilities measured at the present value of the future lease payments. The lease payments include fixed payments.

The lease liability is initially measured at the present value of the future lease payments expected to be paid after the commencement date, discounted using the Group's incremental borrowing rate. To determine the incremental borrowing rate, the Group obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased.

The lease liability is subsequently measured at amortised cost using the effective interest method.

Short-Term Leases and Leases of Low-Value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. The Group considers leased items with a new purchase value of below R75 000 to be low-value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

taxation

Current taxation comprises taxation payable calculated on the basis of expected taxable income for the period, using the tax rates enacted, or substantially enacted, at the end of the reporting period date, and any adjustment of taxation payable for previous periods. Taxation is recognised directly in profit or loss unless it relates to an item recognised in equity or other comprehensive income, in which case the tax is also recognised in equity or other comprehensive income.

employee benefits

Short-Term Employee Benefits

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with respect to services rendered up to the statement of financial position date. There are no contractual obligations to pay bonuses to any employee. All bonuses are at the discretion of management or, in the case of executive directors, the Board.

Retirement Benefits

Current contributions to pension and retirement funds operated for employees are based on current service and charged against income as incurred. All retirement benefit plans are defined contribution plans.

borrowing costs

Interest costs are charged against profit or loss using the effective interest rate method as there are no qualifying assets for capitalisation.

equipment and vehicles

Equipment and vehicles are initially measured at cost. Costs include direct costs incurred initially to acquire an item of equipment and vehicles.

Equipment and vehicles are subsequently stated at cost less accumulated depreciation and impairment. Depreciation is provided for on the straight-line basis over the following periods, which will reduce cost to the estimated residual values over the expected useful lives of the assets:

Computer equipment	Three to six years
Motor vehicles	Five years
Furniture, fittings and equipment	Three to ten years

Gains and losses on disposal are recognised in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of equipment and vehicles is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss.

investment property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value with fair value changes recognised in profit or loss as investment gains or losses. Refer Note 14 of the notes to the annual financial statements.

The fair value of investment property is based on valuation information at the reporting date. Independent valuations were performed in 2018 by a valuation expert, Brian Jeffrey Mylod, owner of Smitties Estates, appraiser appointed in terms of section 6 of the Administration of Estates Act of 1965 for the district of Parys, as well as a member of the Valuation Court of Parys.

financial instruments

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost
- Financial liabilities at amortised cost

Classification depends on the business model and contractual cash flows.

Initial Recognition

Financial instruments are initially measured at fair value plus or minus transaction costs, if any.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Subsequent Measurement

Financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets measured at amortised cost. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition. Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition.

The Group uses a practical expedient to recognise the ECL for trade receivables and contract assets, which is to measure the loss allowance at an amount equal to lifetime ECL using a provision matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial Assets

Financial Assets at Amortised Cost

Trade and other receivables, preference dividend receivable and loans to group companies and share trust are classified as financial assets at amortised cost.

Trade receivables are presented net of an allowance for impairment. Movements on this allowance are taken to the Statements of Profit and Loss and Other Comprehensive Income and uncollectable amounts are written off against the allowance. Subsequent recoveries of amounts previously written off are credited to the Statements of Profit and Loss.

Cash and Cash Equivalents

Cash and cash equivalents are classified as financial assets at amortised cost and comprise cash on hand and demand deposits that are subject to an insignificant risk of changes in value. These are subsequently measured at amortised cost. Cash and cash equivalents are held with institutions with high credit quality and therefore ECL is not significant.

Financial Liabilities

Loans and Payables

Trade and other payables and loans from group companies are classified as financial liabilities at amortised cost. In the case of short-term payables, the impact of discounting is not material and cost approximates amortised cost.

Bank Overdraft and Borrowings

Bank overdrafts and borrowings include the debtor finance facility and are classified as financial liabilities at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

borrowings and cash at bank

For the purposes of the statements of cash flows, cash at bank includes cash on hand, deposits and current accounts held with banks. Borrowings include bank overdrafts and other financial borrowings held with the Group's bankers. Short-term bank borrowings form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

deferred taxation

Deferred taxation is provided in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the annual financial statements, and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated using rates expected to apply when the related deferred tax assets are realised or deferred tax liability settled. Deferred tax is determined using tax rates (and laws) enacted or substantially enacted at the end of the reporting period. Deferred tax assets are recognised to the extent that it is probable that a taxable profit will be available in future periods against which the tax asset can be recovered.

share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

treasury shares

Shares in the holding company held by Group companies and the Share Incentive Trust are classified as treasury shares. The consideration paid for treasury shares is deducted from total shareholders' equity. Dividends received are offset against dividends paid. Profits/losses realised on the allocation to individuals of treasury share are allocated directly to equity. Where treasury shares are subsequently sold or issued, the net consideration received is included in equity.

segment reporting

The Group is an investment holding company whose trading activities are conducted through its subsidiary companies providing a comprehensive range of Integrated Business Support Services. These include a broad range of human capital management and consulting services and solutions, productivity and functional outsourcing services, permanent and temporary employment staffing services, training and skills development products and services, as well as related fulfilment services. These services are supported by the group-wide Shared Services operation. Consequently the Group has two reporting segments, namely Integrated Business Support Services and Shared Services. These two segments are the basis on which the Group reports its primary segment information for internal purposes to the chief operating decision-maker.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other Group segments. Transactions between segments are priced at market-related rates. These transactions are eliminated on consolidation.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Refer to Note 25 for details relating to segments.

new standards and interpretations

New standards, amendments to standards and interpretations in issue but not yet effective

At the date of authorisation of these annual financial statements, the following new standards, amendments and interpretations were in issue but not yet effective:

- IFRS 3 Business Combinations. Definition of Business:

  The amendments:

  – confirmed that a business must include inputs and a process, and clarified that:
    - the process must be substantive; and
    - the inputs and process must together significantly contribute to creating outputs.

  – narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

  – added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the acquired is substantially all concentrated in a single asset or group of similar assets (effective 1 January 2020).

- IFRS 9 Financial Instruments:

  The amendment: Fees in the "10 per cent" test for derecognition of financial liabilities:

  – Clarifies which fees must be applied in the application of the "10 per cent" test when assessing whether to derecognise a financial liability. Only include fees paid or received between the borrower and the lender, including those paid or received on the other's behalf. (effective 1 January 2022).

- IFRS 16 Leases:

  The amendments (lessee only):

  - To make it easier to account for Covid-19 related rent concessions e.g. rent holidays and temporary rent reductions.
    - exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications;
    - allows lessee to account for such rent concessions as if they were not lease modifications;
    - applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021 (effective 1 June 2020).

- IAS 1 Presentation of Financial Statements:

  Definition of material: The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards (effective 1 January 2020).

  Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current (effective 1 January 2022).

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:

  Definition of material: The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards (effective 1 January 2020).

- IAS 16 Property, Plant and Equipment: Amendment: Proceeds Before Intended Use

  Prohibits the deduction of proceeds from selling items produced while bringing an asset into use from the cost of that asset. The entity must recognise the proceeds from the sale, and the cost of producing those items, in profit or loss (effective 1 January 2022).

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Amendment: Onerous Contracts – Cost of Fulfilling a Contract

  Specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts (effective 1 January 2022).

analysis of shareholding
as at 31 march 2020

	Number of shareholders	Number of shares	Shareholding %
Portfolio size			
1 – 50 000 shares	**489**	**2 100 327**	**1.6**
50 001 – 500 000 shares	**51**	**9 243 101**	**7.0**
500 001 – 5 000 000 shares	**21**	**36 947 785**	**28.0**
Over 5 000 000 shares	**5**	**83 771 530**	**63.4**
	566	**132 062 743**	**100.0**
Category			
Directors and management	**13**	**72 433 182**	**54.8**
Nominee companies and schemes	**3**	**9 200**	**0.0**
Individual and other corporate bodies	**550**	**59 620 361**	**45.2**
	566	**132 062 743**	**100.0**
Interest of more than 5% (five percent)			
The Primeserv Group Limited Share Trust		**26 189 326**	**19.8**
M Abel		**21 575 003**	**16.3**
The Boles Family Trust		**16 266 000**	**12.3**
Primeserv Productivity Services Proprietary Limited (treasury shares)		**10 645 489**	**8.1**
		74 675 818	**56.5**
Shareholder spread			
Total non-public shareholders	**13**	**72 433 182**	**54.8**
Directors	**4**	**22 224 003**	**16.8**
Treasury shares	**3**	**45 930 527**	**34.8**
Other	**6**	**4 278 652**	**3.2**
Public shareholders	**553**	**59 629 561**	**45.2**
	566	**132 062 743**	**100.0**

market statistics
for the year ended 31 march 2020

		2020	2019
JSE Limited performance			
Year-end closing price of ordinary shares	(cents)	**60**	61
High closing price of ordinary shares	(cents)	**85**	68
Low closing price of ordinary shares	(cents)	**50**	50
Volume of shares traded	(millions)	**5**	9
Value of shares traded	(R'000)	**3 464**	5 328
Number of shares in issue			
Opening balance	(including treasury shares)	**132 062 743**	132 062 743
Closing balance	(including treasury shares)	**132 062 743**	132 062 743
Market capitalisation at year-end	(R'000)	**79 238**	80 558
Market capitalisation at year-end excluding treasury shares	(R'000)	**51 357**	53 917

this document is important and requires your immediate attention

If you are in any doubt as to what action you should take arising from the following resolutions, contact your Central Securities Depository Participant ("CSDP"), stockbroker, attorney, accountant or other professional adviser immediately.

notice of annual general meeting

Notice is hereby given that the annual general meeting ("AGM") of shareholders of Primeserv Group Limited ("Primeserv"/"the Company") will be held at 09H30 on Friday, 27 November 2020 to consider and, if deemed fit, pass, with or without modification, according to the provisions of the Companies Act, No. 71 of 2008 ("the Act") as read with the JSE Listings Requirements, the ordinary and special resolutions as set out below.

Due to the impact of Covid-19 the Board has, in the circumstances, determined that it is preferable that the AGM be held by way of electronic participation instead of in person. Accordingly, the AGM will only be accessible through electronic communication. The AGM will be held virtually using an interactive electronic platform with the transfer secretaries, Link Market Services South Africa Proprietary Limited ("Link") acting as scrutineers for the purpose of the meeting. Shareholders who wish to participate and/or vote at the AGM are required to contact Link on meetfax@linkmarketservices.co.za or on +27 86 154 6572 as soon as possible, but in any event by no later than 10H00 on Wednesday, 25 November 2020. Shareholders wishing to vote will be assisted by Link where required and only through means of submitting their vote on the appropriate voting form as issued by Link and provided at the AGM.

presentation of audited consolidated annual financial statements

The audited consolidated annual financial statements for the Company, including the External Independent Auditor's Report, the Report of the Audit Committee and the Directors' Report for the year ended 31 March 2020, have been distributed as required and will be tabled for comment by shareholders.

The audited consolidated annual financial statements, together with the abovementioned reports are set out on page 39 to 73 of the Integrated Report. The full audited consolidated annual financial statements are available on the Company's website at www.primeserv.co.za.

presentation of group social and ethics committee report

In accordance with Companies Regulation 43, issued in terms of the Act, the Chairperson of the Social and Ethics Committee, or in the absence of the Chairman any member of the Committee, will present the Committee's report to shareholders at the AGM.

resolutions

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

ordinary resolutions

As specified by the Act, it is advised that all ordinary resolutions, save where specifically noted otherwise, are required to be passed by a percentage of votes in excess of 50% (fifty percent) of votes exercised in regard to the resolution.

ordinary resolution number 1

re-appointment of independent auditors and re-appointment of designated audit partner

Resolved by way of separate votes that:

1.1 Mazars be re-appointed as independent registered auditors of the Company for the ensuing year or until the next AGM, whichever is the later;

1.2 Munesh Patel be re-appointed as the designated audit partner for the ensuing year or until the next AGM, whichever is the later;

1.3 the auditors' remuneration be left to the discretion of the Board.

ordinary resolution number 2

re-election of non-executive directors retiring by rotation

Resolved by way of separate votes that the following non-executive directors who retire by rotation in accordance with the Company's Memorandum of Incorporation ("MOI") and being eligible, offer themselves for re-election, be re-elected with immediate effect as independent non-executive directors of the Company for the ensuing year:

2.1 B Kali

2.2 DL Rose

The Remuneration and Nominations Committee of the Company has assessed the performance and independence of each of the retiring candidates and recommends their re-election to shareholders.

An abridged curriculum vitae of each director is set out on page 16 of the Integrated Report of the Company.

ordinary resolution number 3

re-election of members of the audit, governance and risk committee

Resolved by way of separate votes that the following independent non-executive directors who retire by rotation in accordance with the Company's MOI be re-elected with immediate effect as members of the Audit, Governance and Risk Committee of the Company for the ensuing year:

3.1 B Kali*

3.2 LM Maisela

3.3 DL Rose*

An abridged curriculum vitae of each director is set out on page 16 of the Integrated Report of the Company.

* *Subject to their re-election as director in terms of ordinary resolutions 2.1 and 2.2 above.*

ordinary resolution number 4

general authority to directors to allot and issue shares for cash

Resolved that the directors of the Company be and are hereby authorised by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion deem fit, without restriction, subject to the provisions of the Listings Requirements of the JSE Limited (the "JSE"), and subject to the provision that the aggregate number of ordinary shares to be allotted and issued in terms of this resolution, shall be limited to 10% (ten percent) of the issued share capital of the Company at the date of this Notice of AGM, provided that:

- the approval shall be valid until the date of the next AGM, provided it shall not extend beyond fifteen months from the date of this resolution; and
- the general issues of shares for cash in any one year may not exceed, in the aggregate, 10% (ten percent) of the company's issued share capital (number of securities) of that class as at the date of the issue of this notice of AGM, it being recorded that the ordinary shares issued in consideration for acquisitions shall not diminish the number of ordinary shares that comprise the 10% (ten percent) of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 10% (ten percent) of the issued ordinary shares amounts to 12 296 703 ordinary shares.
  - In determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of issue is agreed between the issuer and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30-day period.
  - Any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE, not to related parties.
  - Any such issue will only be of securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue.
  - If the securities represent, on a cumulative basis, 5% (five percent) or more of the number of securities in issue, prior to that issue, an announcement containing full details of that issue shall be published on SENS.

In the case of companies wishing to issue shares for cash (other than issues by way of rights offers, and/or in consideration for acquisitions and/or to share incentive schemes, which schemes have been duly approved by the JSE and by the shareholders of the company), it is necessary for the Board to obtain the prior authority of the shareholders in accordance with the Listings Requirements of the JSE and the MOI of the Company.

At least 75% (seventy-five percent) of the shareholders present in person or by proxy and entitled to vote at the AGM must cast their vote in favour of this resolution.

ordinary resolution number 5

authorisation to implement resolutions

Resolved that any director of the Company or the Company Secretary be and are hereby authorised to sign all documents and do all acts which may be required to carry into effect the resolutions contained in the notice of AGM incorporating this ordinary resolution.

non-binding advisory resolution number 1

advisory endorsement of remuneration policy

Resolved that, by way of a non-binding advisory vote, the shareholders endorse the remuneration policies of the Company as set out in the remuneration report as set out in the Integrated Report on pages 30 and 31.

non-binding advisory resolution number 2

advisory endorsement of implementation report

Resolved that, by way of a non-binding advisory vote, the shareholders endorse the implementation report of the Company as set out in the remuneration report as set out in the Integrated Report on page 32.

Non-binding advisory resolutions 1 and 2 are of an advisory nature only and failure to pass these resolutions will not have any legal consequences relating to existing arrangements. However, the Board will take the outcomes of the votes into consideration when considering the Company's remuneration policy and the implementation thereof.

Should more than 25% (twenty-five percent) of the total votes cast be against either resolution, based upon the number of shareholders voting against the resolution, the members of the remuneration committee will:

- engage directly with the shareholders concerned; or
- the Company will issue an announcement on the Stock Exchange News Service inviting shareholders who voted against the resolution(s) to meet with members of the Remuneration Committee. The process to be followed will be set out in the SENS announcement.

special resolutions

special resolution number 1

remuneration of non-executive directors

Resolved that the remuneration payable to the non-executive directors of the Company for the 2021 financial year and to the next AGM to be held in 2021, be as follows:

	Retainer R	Attendance fees per meeting R
Chairman	96 300	22 470
Non-executive directors	28 890	22 470
Chairman of Audit Committee	117 700	
Chairman of Remuneration Committee	16 050	
Chairperson of Social and Ethics Committee	16 050	
Committee members		
– Audit		10 700
– Remuneration		5 350
– Social and Ethics		5 350

Non-executive directors receive a base fee plus an attendance fee per meeting.

The fees in the table are for individual roles while the aggregate fees any single non-executive director earns will be based on a combination of the fees for all roles performed. The proposed non-executive directors' fees exclude VAT. VAT will be added to the fees by the non-executive directors in accordance with VAT legislation, where applicable.

reason for and effect of this special resolution 1

Special resolution number 1 is required in terms of section 66(9) of the Companies Act to authorise the Company to pay remuneration to non-executive directors of the Company in respect of their services as directors. Furthermore, in terms of the Listings Requirements and King IV, remuneration payable to non-executive directors should be approved by shareholders in advance or within the previous two years.

special resolution number 2

financial assistance to subsidiaries

Resolved that, in accordance with section 45 of the Act, the provision of any financial assistance by the Company to any company or corporation which is related or inter-related to the Company (as defined in the Act), on the terms and conditions which the directors of Primeserv may determine, be and is hereby approved.

reason for and effect of special resolution 2

In terms of the Act, the Board may authorise the Company to provide any financial assistance to related or inter-related companies which are Group companies, including subsidiary companies of the Company, where it believes it would be beneficial to the Company to do so in future, subject to certain requirements set out in the Act, including the Company meeting solvency and liquidity tests.

This general authority is necessary for the Company to continue making loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. A general authorisation from shareholders avoids the need to refer each instance to shareholders for approval with the resulting time delays and expense. If approved, this general authority will expire at the end of two years.

special resolution number 3

general authority to repurchase shares

Resolved that, as a general approval contemplated in terms of section 48 of the Companies Act, the acquisition by the Company, and/or any subsidiary of the Company, from time to time of the issued ordinary shares of the Company is hereby approved, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act and the JSE Listings Requirements, where applicable, and provided that:

- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the Company's next AGM, or for 15 (fifteen) months from the date of this special resolution number 3, whichever period is shorter;
- in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be no more than 10% (ten percent) above the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty percent) of the Company's issued ordinary share capital from the date of the grant of this general authority;
  - the Company and the Group are in a position to repay their debt in the ordinary course of business for the following year after the date of this notice of AGM;
  - the consolidated assets of the Group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the consolidated liabilities of the Company for the following year after the date of this notice of AGM;
  - the ordinary capital and reserves of the Company and the Group are adequate for the next 12 months after the date of this notice of AGM and provided that the Board of directors have signed a resolution that the Group has passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group;
  - the available working capital is adequate to continue the operations of the Company and the Group in the following year after the date of this notice of AGM;
  - after such repurchase the Company will still comply with paragraphs 3.37 of the JSE Listings Requirements concerning shareholder spread requirements;
  - the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
  - when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made on SENS and in the press; and
  - the Company appoints only one agent to effect any repurchase(s) on its behalf.

reason for and effect of special resolution number 3

The reason for and effect of Special Resolution Number 3 is to authorise the Company and/or its subsidiaries by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company, subject to the limitations set out above.

The directors of the Company have no specific intention to effect the provisions of Special Resolution Number 3 but will, however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of Special Resolution Number 3. It is, however, proposed, and the Board believes it to be in the best interest of Primeserv, that shareholders pass a special resolution granting the Company a general authority to acquire its own shares and permit subsidiary companies of Primeserv to acquire shares in the Company.

Other Disclosures in Terms of Section 11.26 of the JSE Listings Requirements Made in Regard to Special Resolution 3

The JSE Listings Requirements require the following disclosures, some of which are disclosed in the Integrated Report, of which this notice forms part, as set out below:

- Major shareholders of Primeserv (page 74)
- Share capital of Primeserv (page 60)

material change

There have been no material changes in the affairs or financial position of Primeserv and its subsidiaries since the date of signature of the audit report and the date of this notice.

directors' responsibility statement

The directors, whose names are given on page 16 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Number 3 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all such information required by law and the JSE Listings Requirements.

litigation statement

The directors, whose names are given on page 16 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve months, a material effect on the Group's financial position.

to transact any other business as may be transacted at an AGM.

approvals required for resolutions

Ordinary resolution numbers 1 to 3 and 5 contained in this notice of AGM require the approval by more than 50% (fifty percent) of the votes exercised on the resolutions by the shareholders present or represented by proxy at the AGM, and further subject to the provisions of the Act, the Company's MOI and the Listings Requirements.

Ordinary Resolution number 4 and Special Resolution numbers 1 to 3 contained in this notice of AGM require the approval by at least 75% (seventy-five percent) of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, and are further subject to the provisions of the Act, the Company's MOI and the Listings Requirements.

voting and proxies

record dates

In terms of section 59(1) of the Act, this notice has been sent to shareholders who were recorded as such in the Company's securities register on Friday, 18 September 2020, being the record date set by the Board in terms of the Act for determining which shareholders are entitled to receive a notice of AGM. The record date on which shareholders must be registered as such in the Company's securities register, which date was set by the Board determining which shareholders are entitled to attend and vote at the AGM is Friday, 20 November 2020. Accordingly, the last day to trade in order to be able to attend and vote at the AGM is Tuesday, 17 November 2020.

voting

Shareholders will be entitled to attend the general meeting and to vote on the resolutions set out above. All votes will be by way of a poll and every shareholder shall have one vote for each share held by such shareholder.

In terms of the Listings Requirements any shares currently held as treasury shares will not be taken into account in determining the results of voting on special resolution numbers 1 to 3.

proxies

A shareholder entitled to attend and vote at the AGM may appoint one or more persons as their proxy to attend, speak and vote in their stead. A proxy need not be a shareholder of the Company.

A form of proxy is attached for the convenience of certificated shareholders and "own name" dematerialised shareholders who are unable to attend the AGM, but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by the Company's Transfer Secretaries, Link Market Services South Africa Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2000, Telefax +27 86 674 4381, not later than 10H00 on Wednesday, 25 November 2020.

Section 63(1) of the Act requires that meeting participants provide satisfactory identification.

(1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:
   - (a) participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder; or
   - (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

(2) A proxy appointment
   - (a) must be in writing, dated and signed by the shareholder; and
   - (b) remains valid for
     - (i) one year after the date on which it was signed; or
     - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in sub-section (4) (c), or expires earlier as contemplated in subsection (8) (d).

(3) Except to the extent that the MOI of a company provides otherwise:
   - (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
   - (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
   - (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

(4) Irrespective of the form of instrument used to appoint a proxy:
   - (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
   - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
   - (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by:
     - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
     - (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

(5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
   - (a) the date stated in the revocation instrument, if any; or
   - (b) the date on which the revocation instrument was delivered as required in sub-section (4)(c)(ii).

(6) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the instrument appointing the proxy otherwise provides.

Dematerialised shareholders, other than "own name" dematerialised shareholders, who have not been contacted by their CSDP or broker with regard to how they wish to cast their votes, should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their votes at the Company's AGM in order for their CSDP or broker to vote in accordance with such instructions. If such dematerialised shareholders wish to attend the Company's AGM in person, they must request their CSDP or broker to issue the necessary Letter of Representation to them. This must be done in terms of the agreement entered into between such dematerialised shareholder and the relevant CSDP or broker. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

Kindly note that in terms of section 63(1) of the Act, meeting participants are required to provide satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences or passports.

By order of the Board

29 September 2020

form of proxy

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

For the use by certificated or "own name" dematerialised shareholders of Primeserv for the annual general meeting of Primeserv Group Limited to be held on Friday, 27 November 2020 at 09H30 ("the AGM").

If shareholders have dematerialised their shares with a Central Securities Depository Participant ("CSDP") or broker (other than not own name dematerialised shareholders) they must arrange with the CSDP or broker to provide them with the necessary letter of representation to attend the AGM or the shareholder must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker in the manner and cut-off time stipulated therein.

I/We

(Name/s in block letters)

of (address)

being the registered holders of ordinary shares in Primeserv, do hereby appoint

1. or, failing him/her,

2. or, failing him/her,

3. the Chairman of the AGM as my/our proxy to act for me/us and on my/our behalf at the general meeting which will be held for the purposes of considering, and if deemed fit, pass, with or without modification, the resolutions to be proposed thereat, or at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 1, overleaf).

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Ordinary resolution number 1 – Re-appointment of independent auditors and re-appointment of designated audit partner			
1.1 Appointment of Mazars as independent auditors			
1.2 Appointment of M Patel as designated audit partner			
1.3 Board to confirm auditors' remuneration			
Ordinary resolution number 2 – Re-election of non-executive directors retiring by rotation			
2.1 B Kali			
2.2 DL Rose			
Ordinary resolution number 3 – Re-election of members of the Audit, Governance and Risk Committee			
3.1 B Kali			
3.2 LM Maisela			
3.3 DL Rose			
Ordinary resolution number 4 – General authority to directors to allot and issue shares for cash			
Ordinary resolution number 5 – Authority to implement resolutions			
Non-binding advisory resolution 1 – Advisory endorsement of Remuneration Policy			
Non-binding advisory resolution 2 – Advisory endorsement of Implementation Report			
Special resolution number 1 – Remuneration of non-executive directors			
Special resolution number 2 – Financial assistance to subsidiaries			
Special resolution number 3 – General authority to repurchase shares			

Signed at on 2020

Signature

Assisted by me (where applicable)

Please indicate whether you elect to receive documents electronically at the email address inserted below by ticking the appropriate box

YES ☐ NO ☐

Signature

Please see notes overleaf

Notes to the Form of Proxy

1. A shareholder may insert the names of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the Chairman of the meeting", but the shareholder must initial any such deletion. The person whose name appears first on the proxy and which has not been deleted shall be entitled to act as proxy to the exclusion of those names following.
2. A shareholder is entitled to one in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's votes.
3. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries or by the Chairman of the AGM before the commencement of the AGM.
4. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM, be proposed, the proxy shall be entitled to vote as he/ she thinks fit.
5. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded with the Company's transfer secretary or waived by the Chairman of the AGM.
6. His/her parent or guardian as applicable must assist a minor or any other person under legal incapacity, unless the relevant documents establishing capacity are produced or have been registered with the transfer secretaries.
7. Where there are joint holders of ordinary shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register) who tender a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
8. Proxies must be lodged at or posted to the Company or the Company's transfer secretaries, Link Market Services South Africa Proprietary Limited, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), to be received no later than 10H00 on Wednesday, 25 November 2020.
9. Any alteration or correction made to this form of proxy other than the deletion of alternatives must be initialed by the signatory/ies.
10. The completion and lodging of this proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. The Chairman of the meeting may reject or accept a proxy that is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
12. *If you have not dematerialised your shares and selected own name registration in the sub-register:*

    You may either attend the AGM or complete and return the form of proxy in accordance with the instructions contained therein to the transfer secretaries.
13. *If you have dematerialised your shares through a CSDP or broker and registered them in a name other than your own name and wish to vote at the AGM:*

    If you have already dematerialised your shares you must advise your CSDP or broker of your voting instructions on the proposed resolutions. However, should you wish to attend the AGM, you will need to request your CSDP or broker to provide you with the necessary Letter of Representation in terms of the custody agreement entered into with the CSDP or broker.

notes

corporate information

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

Registered Office
25 Rudd Road
Illovo
Sandton, 2196

Contact Information
PO Box 3008, Saxonwold, 2132
Telephone: +27 11 691 8000
Telefax: +27 11 691 8011
www.primeserv.co.za
Email: productivity@primeserv.co.za

Company Secretary
ER Goodman Secretarial Services Proprietary Limited
(represented by Marilis Janse van Rensburg)
3 River Road
Bedfordview, 2008

Legal Advisors
DLA Cliffe Dekker Hofmeyr
Harris Marcus Mahlangu
Werksmans

Sponsor
Grindrod Bank Limited
Grindrod Towers
8A Protea Place
Sandton, 2196

Bankers
FirstRand Bank Limited
Investec Bank Limited

Auditors
Mazars
54 Glenhove Road
Johannesburg, 2196

Transfer Secretaries
Link Market Services South Africa Proprietary Limited
Rennie House
19 Ameshoff Street
Braamfontein, 2001

ince
Design and Brand Strategy: Blackhouse Studios • Hearts and Minds Marketing
MAJAA168

integrated business support services

www.primeserv.co.za

Primeserv Group Limited
(Registration number 1997/013448/06)
Annual Financial Statements
for the year ended 31 March 2020

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment Holding Company
Directors	M Abel LM Maisela DL Rose R Sack B Kali
Registered office	2nd Floor 25 Rudd Road Illovo Sandton 2196
Business address	2nd Floor 25 Rudd Road Illovo Sandton 2196
Postal address	PO Box 3008 Saxonwod 2132
Auditor	Mazars Registered Auditors Mazars House 54 Glenhove Road Melrose Estate 2196 PO Box 6697 Johannesburg 2000
Secretary	ER Goodman Secretarial Sevices Proprietary Limited
Company registration number	1997/013448/06
Tax reference number	9408/002/71/6
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The annual financial statements were internally compiled by: Raphael Sack Financial Director

Contents

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company’s cash flow forecast for the year to 31 March 2021 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and their report is presented on pages 7 to 9.

The annual financial statements set out on pages 4 to 25, which have been prepared on the going concern basis, were approved by the directors on 29 September 2020 and were signed on their behalf by:

R Sack

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Primeserv Group Limited for the year ended 31 March 2020.

1. Nature of business

Primeserv Group Limited is an investment holding company whose trading activities are conducted through its subsidiary companies, providing a comprehensive range of Integrated Business Support Services. These include a broad range of human capital management and consulting services and solutions, productivity and functional outsourcing services, permanent and temporary employment services, training and skills development productes and services, as well as related fulfilment services.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

4. Dividends

A gross final dividend of 1.50 cents per share wasdeclared on 12 June 2020. The aggregate dividend in relation to the financial year ended 31 March 2020 is 3.00 cents per share (2019: 4.00 cents per share). The dividends may be subject to dividends witholding tax, where applicable.

5. Share incentive scheme

The total number of shares, which may be purchased and/or in terms of which options may be granted, is equivalent to 20% (twenty percent) of the issued share capital of the Company.

The share trust held 26 189 326 (2019: 26 189 326) shares.

The unallocated shares are intended to be allocated or cancelled in the 2021 financial year. The impact of IFRS 2 - Shared-Based Payments, and section 8C of the Income Tax Act No. 58 of 1962 has been evaluated in order to determine the optimum use of the shares held as an incentive mechanism. The directors use the scheme to retain key personnel and for the purpose of providing opportunitie to employees to participate in the Group's growth and success.

6. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality
M Abel	CEO	Executive	
LM Maisela		Non-executive	
DL Rose		Non-executive	
R Sack	Finance Director	Executive	
B Kali		Non-executive	

Directors' Report

7. Directors' interests in shares

As at 31 March 2020, the aggregate direct and indirect interests of directors in the fully paid issued share capital of the Company were:

	2020 Direct	2019 Direct	2020 Indirect	2019 Indirect
M Abel	21 575 003	21 575 003	-	-
LM Maisela	55 000	55 000	-	-
DL Rose	-	-	70 000	70 000
R Sack	524 000	524 000	-	-
	22 154 003	**22 154 003**	**70 000**	**70 000**

8. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use.

9. Special resolutions

No special resolutions, the nature of which might be significant to the shareholders in their appreciation of the state of affairs of the company were made by the company during the period covered by this report.

10. Events after the reporting period

The Covis-19 pandemic is unprecedented and the effects of the associated lockdowns on the world as well as the local economy, and hence the business, are unlikely to be known for some time. There has been a marked decline in the overall level of sales at most clients, with many shutting down completely while others had partial closures.

There were no other events that occurred after the reporting date and up to the date of this report.

11. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. Whilst revenue at the onset of the Covid-19 pandemic was severely affected by the national lockdown imposed by government, revenue subsequently has improved as the lockdown restrictions have been eased and levels of commercial activity have increased. Certain operational adjustments were made to the Company's operations, in response to the pandemic which have mitigated some of the effects of the reduced revenue and which are continuing to be applied where appropriate. The Company's solvency and liquidity position has been reviewed, taking into account the availability of funds and financing facilities, and operational budget and cashflow forecasts have been adjusted taking the evolving circumstances into consideration. Management has also considered the appropriateness of the assumptions and estimates applied in the preparation of the financial statements.

Covid-19 has been treated as an adjusting event.

12. Litigation statement

The company becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. The company is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

13. Auditors

Mazars continued in office as auditors for the company for 2020.

At the AGM, the shareholders will be requested to reappoint Mazars as the independent external auditors of the company and to confirm Mr Munesh Patel as the designated lead audit partner for the 2021 financial year.

Directors' Report

14. Secretary

The company secretary is ER Goodman Secretarial Sevices Proprietary Limited.

Postal address:	PO Box 9720 Verwoedpark 1453
Business address:	1st Floor South Wing 3 River Road Bedfordview 2008

15. Subsidiary companies

All subsidiary companies are incorporated in South Africa.

	Ordinary share capital	Portion held directly or indirectly %
Bathusi Staffing Services Proprietary Limited	100	45
Primeserv ABC Recruitment Proprietary Limited	100	74
Primeserv Consulting Proprietary Limited	100	74
Primeserv Corporate Solutions Proprietary Limited	100	74
Primeserv Denverdraft Proprietary Limited	100	99
Primeserv Employee Solutions Proprietary Limited	100	74
Primeserv Productivity Services Proprietary Limited	100	100
Primeserv Properties 1 Proprietary Limited	100	100
Primeserv Properties 2 Proprietary Limited	100	100
Primeserv Properties 3 Proprietary Limited	100	100
Primeserv Properties 4 Proprietary Limited	100	100
Primeserv Recruitment Services Proprietary Limited	100	100
Primeserv Staff Dynamix Proprietary Limited	100	74

Mazars House
54 Glenhove Road
Melrose Estate
2196

PO Box 6697
Johannesburg
2000

Docex 703 Johannesburg

Tel: +27 11 547 4000
Fax: +27 11 484 7864
Email: jhb@mazars.co.za
www.mazars.co.za

Independent Auditor's Report

To the Shareholders of Primeserv Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of *Primeserv Group Limited* set out on pages 10 to 23, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of *Primeserv Group Limited* as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Impact of the COVID-19 pandemic on the financial statements

During the last month of the entity's financial year, a global pandemic was announced from the outbreak of Covid-19. The potential impact of Covid-19 became significant in March 2020 due to the nationwide lockdown which has been in effect since 27 March 2020. After the initial lockdown the government implemented a risk-based lockdown level approach which saw the easing of certain limitations.

However, the lack of a clear timeline on the lifting of the various lockdown levels causes further socio-economic uncertainty and will negatively impact on the business operations of the entity and the company.

The directors' consideration of the impact on the financial statements is disclosed in note 20. Whilst the situation is still evolving, based on the information available at this point in time, the directors have assessed the impact of Covid-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate.
As per note 20 to the annual financial statements, the directors have concluded that the financial results for the year ended 31 March 2020 include the impact of COVID-19 for the period. The entity has treated this as an adjusting event.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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, 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.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, 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 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.

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 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 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 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 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 company to cease to continue as a going concern.

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

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.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that this is the fourth year that Mazars has been the auditor for *Primeserv Group Ltd.*

Mazars
Partner: Munesh Patel
Registered Auditor
Johannesburg
29 September 2020

Statement of Financial Position as at 31 March 2020

Figures in Rand	Notes	2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	2	773 418	892 845
Investments in subsidiaries	3	99 059 806	99 059 806
Deferred tax	4	-	531 386
Preference dividends		13 760 312	71 176 858
		113 593 536	**171 660 895**
Current Assets			
Loans to group companies	5	60 865 122	64 931 948
Trade and other receivables	6	18 949 300	3 813 033
Cash and cash equivalents		32 134 598	6 909 128
		111 949 020	**75 654 109**
Total Assets		**225 542 556**	**247 315 004**
Equity and Liabilities			
Equity			
Share capital	7	2 671 548	2 671 548
Non-distributable reserve	8	154 673 037	156 752 182
Retained income		6 770 455	3 616 927
		164 115 040	**163 040 657**
Liabilities			
Non-Current Liabilities			
Deferred tax	4	121 408	-
Current Liabilities			
Trade and other payables	9	5 614 359	606 048
Loans from group companies		55 691 749	83 668 299
		61 306 108	**84 274 347**
Total Liabilities		**61 427 516**	**84 274 347**
Total Equity and Liabilities		**225 542 556**	**247 315 004**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2020	2019
Revenue	10	14 960 202	9 900 000
Other operating income	11	7 153 883	6 848 125
Other operating expenses		(18 384 142)	(6 608 971)
Operating profit	12	**3 729 943**	**10 139 154**
Investment income	13	5 098 256	156 128
Finance costs	14	(15 830)	(1185 059)
Profit before taxation		**8 812 369**	**9 110 223**
Taxation	15	(652 794)	(35 345)
Profit for the year		**8 159 575**	**9 074 878**
Other comprehensive income		-	-
Total comprehensive income for the year		**8 159 575**	**9 074 878**

Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Treasury shares	Non-distributable reserve	Total reserves	Retained income	Total equity
Balance at 01 April 2018	**1 320 627**	**1 350 921**	**2 671 548**	**(2 048 139)**	**159 812 168**	**157 764 029**	**(1 510 904)**	**158 924 673**
Profit for the year	-	-	-	-	-	-	9 074 878	9 074 878
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**9 074 878**	**9 074 878**
Acquisitions by company	-	-	-	(1 011 847)	-	(1 011 847)	-	(1 011 847)
Dividends	-	-	-	-	-	-	(3 947 047)	(3 947 047)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(1 011 847)**	**-**	**(1 011 847)**	**(3 947 047)**	**(4 958 894)**
Balance at 01 April 2019	**1 320 627**	**1 350 921**	**2 671 548**	**(3 059 986)**	**159 812 168**	**156 752 182**	**3 616 926**	**163 040 656**
Profit for the year	-	-	-	-	-	-	8 159 575	8 159 575
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**8 159 575**	**8 159 575**
Acquistions by company	-	-	-	(2 079 145)	-	(2 079 145)	-	(2 079 145)
Dividends	-	-	-	-	-	-	(5 006 046)	(5 006 046)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(2 079 145)**	**-**	**(2 079 145)**	**(5 006 046)**	**(7 085 191)**
Balance at 31 March 2020	**1 320 627**	**1 350 921**	**2 671 548**	**(5 139 131)**	**159 812 168**	**154 673 037**	**6 770 455**	**164 115 040**
Notes	7	7	7		8			

Statement of Cash Flows

Figures in Rand	Notes	2020	2019
Cash flows from operating activities			
Cash (used in)/generated from operations	16	(6 327 674)	8 945 456
Interest income		5 098 256	156 128
Finance costs		(15 830)	(1 185 059)
Net cash from operating activities		**(1 245 248)**	**7 916 525**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(83 041)	(160 929)
Sale of property, plant and equipment	2	132 129	-
Loans repaid by / (advanced to) group companies		57 969 670	(9 038 678)
Preference dividends		57 416 546	(6 848 125)
Net cash from investing activities		**115 435 304**	**(16 047 732)**
Cash flows from financing activities			
Reduction of share capital or buy back of shares	7	(2 079 145)	(1 011 847)
Repayment of loans from group companies		(81 879 395)	16 574 684
Dividends paid	17	(5 006 046)	(3 947 047)
Net cash from financing activities		**(88 964 586)**	**11 615 790**
Total cash movement for the year		**25 225 470**	**3 484 583**
Cash at the beginning of the year		6 909 128	3 424 545
Total cash at end of the year		**32 134 598**	**6 909 128**

Accounting Policies

PRINCIPAL ACCOUNTING POLICIES
The annual financial statements incorporate the following principal accounting policies, which are consistent with those applied in the previous year, except for the adoption of new standard. IFRS 16 had no material effect on the Company's results.

BASIS OF PREPARATION
These annual financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the South African Companies Act No. 71 of 2008. The annual financial statements are prepared in accordance with the going concern principle on the historical cost basis.

The preparation of annual financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Certain areas involve a high degree of judgement and certain assumptions and estimates are significant to the annual financial statements. Actual amounts could differ from these estimates.

JUDGEMENTS AND ESTIMATES MADE BY MANAGEMENT

Estimates
Recoverability of deferred tax assets
The recoverability of deferred tax asset is assessed giving consideration to the expected profitability of the Company for the next number of periods.

Recoverability of trade receivables
The recoverability of trade receivables is assessed by giving careful consideration to the exposures that the Company carries. In this regard the directors believe that the amount carried in the statements of financial position is collectable having taken account of risks covered by credit insurance contracts, the VAT component recoverable from SARS, impairment provisions raised and the default history of customers. The entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Company uses an allowance account to recognise its credit losses on trade and other receivables. It applies the simplified approach of recognising lifetime Expected Credit Losses for the trade receivables. The company applied a practical expedient in measuring the expected credit loss, using a provision matrix in determining the impairment. This matrix uses the historical credit loss, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast conditions at the reporting date.

Recoverability of group loans receivable
The credit risk on the inter-company receivables is managed through the day-to-day involvement by management of the Group in the operations of the Group entities to ensure that the risk on these receivables is mitigated and that the amounts remain recoverable through the success of the operations.

REVENUE
Revenue is derived through the cost recoveries from the Company's subsidiaries that earn their income from the supply of temporary employment services and permanent placements fees. Income received on long-term staff supply is recognised as it is earned.

LEASES
Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the period of the lease.

Accounting Policies

TAXATION

Current taxation comprises taxation payable calculated on the basis of expected taxable income for the period, using the tax rates enacted, or substantially enacted, at the end of the reporting period date, and any adjustment of taxation payable for previous periods.

Taxation is recognised directly in profit or loss unless it relates to an item recognised in equity or other comprehensive income, in which case the tax is also recognised in equity or other comprehensive income.

EMPLOYEE BENEFITS

Short-term employee benefits

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with respect to services rendered up to the statement of financial position date. There are no contractual obligations to pay bonuses to any employee. All bonuses are at the discretion of management or, in the case of executive directors, the Board.

Retirement benefits

Current contributions to pension and retirement funds operated for employees are based on current service and charged against income as incurred. All retirement benefit plans are defined contribution plans.

BORROWING COSTS

Interest costs are charged against profit or loss using the effective interest rate method as there are no qualifying assets for capitalisation.

EQUIPMENT AND VEHICLES

The cost of an item of property, equipment and vehicles is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Company; and
- the cost of the item can be measured reliably.

Equipment and vehicles are initially measured at cost. Costs include direct costs incurred initially to acquire an item of property, equipment and vehicles.

Equipment and vehicles are subsequently stated at cost less accumulated depreciation and impairment. Depreciation is provided for on the straight-line basis over the following periods, which will reduce cost to the estimated residual values over the expected useful lives of the assets:

Computer equipment	3 to 6 years
Motor vehicles	5 years
Furniture, fittings and equipment	3 to 10 years

Gains and losses on disposal are recognised in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, equipment and vehicles is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss.

FINANCIAL INSTRUMENTS

Classification

The Company classifies financial assets and financial liabilities into the following categories:
- Loans and receivables at amortised cost
- Financial liabilities at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

Initial recognition

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments at fair value less transaction costs.

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial Assets

Loans and receivables

Trade and other receivables and loans to group companies are classified as loans and receivables.

Trade receivables are presented net of an allowance for impairment. Movements on this allowance are taken to the statements of profit and loss and other comprehensive income and uncollectable amounts are written off against the allowance. Subsequent recoveries of amounts previously written off are credited to the statements of profit and loss and other comprehensive income. In the case of short-term receivables, the impact of discounting is not material and cost approximates amortised cost.

Cash and cash equivalents

Cash and cash equivalents are classified as loans and receivables and comprise cash on hand and demand deposits that are subject to an insignificant risk of changes in value.

Financial Liabilities

Loans and payables

Trade and other payables and loans from company companies are classified as financial liabilities at amortised cost. In the case of short-term payables, the impact of discounting is not material and cost approximates amortised cost.

DEFERRED TAXATION

Deferred taxation is provided in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the annual financial statements, and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated using rates expected to apply when the related deferred tax assets are realised or deferred tax liability settled. Deferred tax is determined using tax rates (and laws) enacted or substantially enacted at the end of the reporting period date. Deferred tax assets are recognised to the extent that it is probable that a taxable profit will be available in future periods against which the tax asset can be recovered.

Accounting Policies

SHARE CAPITAL
Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

NEW STANDARDS AND INTERPRETATIONS
New standards, amendments to standards and interpretations in issue but not yet effective
At the date of authorisation of these annual financial statements, the following new standards, amendments and interpretations were in issue but not yet effective:

- *IFRS 3 , Business Combinations. Definition of Business:*
  The amendments:
  - confirmed that a business must include inputs and a process, and clarified that:
    - the process must be substantive; and
    - the inputs and process must together significantly contribute to creating outputs.
  - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
  - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the acquired is substantially all concentrated in a single asset or group of similar assets (effective 1 January 2020).

- *IFRS 9, Financial Instruments*
  The amendment:
  - Fees in the '10 per cent" test for derecognition of financial liabilities:
    - Clarifies which fees must be applied in the application of the "10 per cent" test when assessing whether to derecognise a financial liability. Only include fees paid or received between the borrower and the lender, including those paid or received on th other's behalf (effective 1 January 2022)

- *IAS 1, Presentation of Financial Statements:*
  Definition of material: The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards (effective 1 January 2020).
  Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current (effective 1 January 2022).

- *IAS 8, Accounting Policies, Changes in Accounting Estimates and errors:*
  Definition of material: The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards (effective 1 January 2020).

- *IAS 16, Property, Plant and Equipment: Amendment: Proceeds Before Intended Use*
  Prohibits the deduction of proceeds from selling items produced while bringing an asset into use from the cost of that asset. The entity must recognise the proceeds from the sale and the cost of producing those items, in profit or loss (effective 1 January 2022).

- *IAS 37, Provisions, Contingent Liabilities and Contingent Assets: Amendment: Onerous Contracts – Cost of Fulfilling a Contract*
  Specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts (effective 1 January 2022).

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

2. Property, plant and equipment

	2020			2019		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	1 114 744	(501 309)	613 435	1 114 744	(456 244)	658 500
Office equipment	80 100	(46 008)	34 092	80 100	(35 228)	44 872
IT equipment	653 172	(527 281)	125 891	702 260	(512 787)	189 473
Computer software	73 506	(73 506)	-	73 506	(73 506)	-
Total	**1 921 522**	**(1 148 104)**	**773 418**	**1 970 610**	**(1 077 765)**	**892 845**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions through business combinations	Disposals	Depreciation	Total
Furniture and fixtures	658 500	-	-	(45 065)	613 435
Office equipment	44 872	-	-	(10 780)	34 092
IT equipment	189 473	83 041	(132 129)	(14 494)	125 891
	892 845	**83 041**	**(132 129)**	**(70 339)**	**773 418**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions through business combinations	Depreciation	Total
Furniture and fixtures	674 230	28 800	(44 530)	658 500
Office equipment	55 623	-	(10 751)	44 872
IT equipment	75 962	132 129	(18 618)	189 473
	805 815	**160 929**	**(73 899)**	**892 845**

3. Investment in subsidiaries

	2020	2019
Ordinary shares at cost	1 688	1 688
Class A preference shares		
Primeserv ABC Recruitment Proprietary Limited - at cost	37 000 000	37 000 000
Primeserv Corporate Solutions Proprietary Limited - at cost	3 650 000	3 650 000
Primeserv Employee Solutions Proprietary Limited - at cost	39 150 000	39 150 000
Impairment	(3 650 000)	(3 650 000)
	76 150 000	**76 150 000**
Class B preference shares		
Primeserv ABC Recruitment Proprietary Limited - at cost	44 802 000	44 802 000
Primeserv Corporate Solutions Proprietary Limited - at cost	12 364 600	12 364 600
Primeserv Employee Solutions Proprietary Limited - at cost	55 114 000	55 114 000
Impairment	(89 372 482)	(89 372 482)
	22 908 118	**22 908 118**
Total investment in subsidiaries (net of impairments)	99 059 806	99 059 806

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

4. Deferred tax

Deferred tax liability

Deferred tax (liability) / asset	(121 408)	531 386

Reconciliation of deferred tax (liability) / asset

At beginning of year	531 386	566 732
Tax expense	(652 794)	(35 346)
	(121 408)	**531 386**

5. Loans to group companies

Subsidiaries

Bathusi Recruitment Proprietary Limited	-	(110)
Bathusi Staffing Services Proprietary Limited	6 668 858	6 119 163
Empvest Outsourcing Proprietary Limited	-	1 400 298
Primeserv ABC Recruitment Proprietary Limited	24 128 016	21 052 108
Primeserv Consulting Proprietary Limited	(468 718)	(479 588)
Primeserv Corporate Solutions Proprietary Limited	(1 388 441)	(1 290 004)
Primeserv Denverdraft Proprietary Limited	8 196 685	7 787 756
Primeserv Employee Solutions Proprietary Limited	(15 464 638)	(80 873 479)
Primeserv Group Share Trust	10 746 896	10 531 647
Primeserv Properties 1 Proprietary Limited	22 513	22 513
Primeserv Properties 2 Proprietary Limited	22 513	22 513
Primeserv Properties 3 Proprietary Limited	(120)	(110)
Primeserv Properties 4 Proprietary Limited	(120)	(110)
Primeserv Productivity Services Proprietary Limited	(344 798)	52 070
Primeserv Recruitment Services Proprietary Limited	11 127 698	(1 024 877)
Primeserv Staff Dynamix Proprietary Limited	(38 024 914)	19 797 810
Impairment provision	(48 057)	(1 853 841)
	5 173 373	**(18 736 241)**

The loans bear interest at the bank prime overdraft rate less 1% (2019: bank prime overdraft rate less 0.5%), are unsecured and have no fixed terms of repayment. The carrying value of the loans approximates the fair value of the loans, as the loans bear interest at market-related interest rates. Loans are considered to be of good credit quality unless there are contrary indications.

Split between non-current and current portions

Current assets	60 865 122	64 931 948
Current liabilities	(55 691 749)	(83 668 189)
	5 173 373	**(18 736 241)**

Exposure to credit risk

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

6. Trade and other receivables

Financial instruments:		
Trade receivables	17 665 488	2 674 914
Prepayments and staff loans	1 268 230	628 300
Other receivables	15 582	428 079
Non-financial instruments:		
VAT	-	81 740
Total trade and other receivables	**18 949 300**	**3 813 033**

7. Share capital

Authorised		
500 000 000 Ordinary shares of 1 cent each	5 000 000	5 000 000

Describe any changes in authorised share capital e.g. Conversion to net present value shares.

Issued		
132 062 743 Ordinary shares of 1 cent each	1 320 627	1 320 627
Share premium	1 350 921	1 350 921
	2 671 548	**2 671 548**

8. Non-distributable reserve

Excess arising from intangible asset write down in the Group as adjusted for subsequent impairment charges or reversals in the investments and loans to subsidiaries.	159 812 168	159 812 168

9. Trade and other payables

Financial instruments:		
Trade payables	983 399	825 726
Accrued expenses	2 361 964	459 679
Non-financial instruments:		
VAT	2 268 996	-
	5 614 359	**1 285 405**

10. Revenue

Cost recoveries	14 960 202	9 900 000

11. Other operating income

Preference dividends	6 848 125	6 848 125
Other income	305 758	-
	7 153 883	**6 848 125**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

12. Operating profit

Operating profit for the year is stated after charging (crediting) the following, amongst others:

Remuneration, other than to employees		
Consulting and professional services	1 113 460	958 744
Secretarial services	(28 951)	-
	1 084 509	**958 744**
Depreciation and amortisation		
Depreciation of property, plant and equipment	70 339	73 899

13. Investment income

Interest income		
Investments in financial assets:		
Bank and cash	565 542	156 128
Loans to group companies:		
Subsidiaries	4 532 714	(1 182 460)
Total interest income	**5 098 256**	**(1 026 332)**

14. Finance costs

Trade and other payables	2 431	782
Bank overdraft	13 399	1 817
Total finance costs	**15 830**	**2 599**

15. Taxation

Major components of the tax (income) expense

Deferred		
Originating and reversing temporary differences	652 794	35 345

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %
Exempt income	(21.76)%	(21.04)%
Other	1.17 %	(6.57)%
	7.41 %	**0.39 %**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

16. Cash (used in)/generated from operations

Profit before taxation	8 812 369	9 110 223
Adjustments for:		
Depreciation and amortisation	70 339	73 899
Interest income	(5 098 256)	1 026 332
Finance costs	15 830	2 599
Other non-cash items	-	147
Changes in working capital:		
Trade and other receivables	(15 136 267)	(1 477 334)
Trade and other payables	5 008 311	209 590
	(6 327 674)	**8 945 456**

17. Dividends paid

Dividends	(5 006 046)	(3 947 047)

18. Related parties

Relationships

Subsidiaries	Refer to note 5

Related party balances

Amounts included in Trade Receivables regarding related parties		
Subsidiaries	17 665 488	3 532 614
Amounts included in Trade Payables regarding related parties		
Subsidiaries	791 220	-

Related party transactions

Finance income		
Subsidiaries	4 532 714	-
Finance costs		
Subsidiaries	-	1 182 460
Preference dividends		
Subsidiaries	6 848 125	6 848 125
Revenue - Cost recoveries		
Subsidiaries	14 960 202	9 900 000

Notes to the Annual Financial Statements

19. Directors' emoluments

Executive and non-executive

2020	Emoluments	Bonus	Defined contribution	Directors' fees	Total
M Abel	4 633 715	2 850 000	402 826	-	7 886 541
B Kali	-	-	-	102 133	102 133
LM Maisela	-	-	-	226 758	226 758
DL Rose	-	-	-	412 258	412 258
R Sack	1 842 341	565 000	124 996	-	2 532 337
	6 476 056	**3 415 000**	**527 822**	**741 149**	**11 160 027**

2019	Emoluments	Bonus	Defined contribution	Directors' fees	Total
M Abel	4 369 546	1 200 000	384 031	-	5 953 577
R Sack	1 683 054	327 000	116 014	-	2 126 068
	6 052 600	**1 527 000**	**500 045**	**-**	**8 079 645**

20. Events after the reporting period

The Covid-19 virus is unprecedented and the effects of the associated lockdowns on the world as well as the local economy, and hence our business, are unlikely to be known for some time. There has been a marked decline in the overall level of sales at most clients, with many shutting completely while others had partial closures. There were, however, some clients that had been deemed to provide essential services and where the effect on our business has been less marked.

This material event continues to impact the Company aftr the reporting date and up to the date of this report.

21. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. Whilst revenue at the onset of the Covid-19 pandemic was severely affected by the national lockdown imposed by government, revenue subsequently has improved as the lockdown restrictions have been eased and levels of commercial activity have increased. Certain operational adjustments were made to the Company’s operations, in response to the pandemic which have mitigated some of the effects of the reduced revenue and which are continuing to be applied where appropriate. The Company’s solvency and liquidity position has been reviewed, taking into account the availability of funds and financing facilities, and operational budget and cashflow forecasts have been adjusted taking the evolving circumstances into consideration. Management has also considered the appropriateness of the assumptions and estimates applied in the preparation of the financial statements.

Covid-19 has been treated as an adjusting event.