PRIMESERV

PRIMESERV GROUP LIMITED

Integrated Report 2012

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# ABOUT THIS REPORT

## INTEGRATING REPORTING APPROACH

The Board of Directors of Primeserv are pleased to present its Integrated Report for the year ended 31 March 2012 to stakeholders, in accordance with the principles and practices contained in the King Code of Governance Principles for South Africa 2009 (King III).

The primary objective of this Integrated Report is to demonstrate the ability of Primeserv to create and sustain value. The Integrated Report will provide a greater understanding of the Group's strategy, its business model and its major impacts across financial, economic, social and environmental aspects as well as insight into how the Group is managed.

The adoption of integrated reporting principles is a developmental and evolutionary process and it may take a number of years to fully implement these principles and achieve the desired level of reporting. This Report, nevertheless, offers stakeholders a more holistic view of Primeserv's operations and provides insight on both financial and non-financial matters.

The Board has considered and applied the principles and practices of King III relating to integrated reporting as well as the discussion paper of the Integrated Reporting Committee of South Africa in the preparation of this report to the extent possible in the year under review. As the concepts and practices of integrated reporting develop, management will aim to improve disclosures and application as deemed appropriate.

Other reporting principles and frameworks used in the compilation of this report include:

| | |
|---|---|
| **IFRS** | Annual financial statements |
| **JSE Listings Requirements** | Integrated Report |
| **King III** | Integrated Report – Corporate Governance section |
| **Employment Equity Act** | Integrated Report – Sustainability section |
| **Labour Relations Act** | Integrated Report – Sustainability section |
| **Skills Development Act** | Integrated Report – Sustainability section |
| **Basic Conditions of Employment Act** | Integrated Report – Sustainability section |

Our Integrated Report is also available online at www.primeserv.co.za.

## ASSURANCE, COMPARABILITY AND RESTATEMENTS

The Integrated Report has not been independently assured this year. Primeserv has not yet formulated a combined assurance model over the Integrated Report and the integrated reporting process.

A combined assurance model will be formulated by assessing all internal and external assurances already in place (internal controls, internal audit, external audit) and aligning this with the Group's risk management process.

Most of the performance measures included in this report have comparative figures and, unless specifically otherwise stated, covers the financial year of the Group.

During the year under review an understatement of cost of sales and consequent overstatement of gross profit was identified within specific geographic regions of the Outsourcing division, requiring a write-off of payroll clearing and provision accounts. The resultant corrections affected the statements of comprehensive income, financial position and statement of changes in equity as detailed in note 32 on page 87. During the year the Company completed the implementation of a fully integrated accounting and payroll platform. The new system has full integration into the accounting system and eliminates the potential for similar error.

## FEEDBACK REQUEST

Primeserv welcomes feedback from its stakeholders on the Integrated Report 2012. Please contact Primeserv on productivity@primeserv.co.za with any questions or queries on the Report.

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this report are forward-looking statements which Primeserv believes are reasonable and take into account information available up to the date of the Report. Results could, however, differ materially from those set out in the forward-looking statements as a result of, amongst other things, changes in economic and market conditions as well as changes in the regulatory environment. As a result these forward-looking statements are not guarantees of future performance and are based on management's assumptions regarding Primeserv's present and future business models, strategy and the environments in which the Group operates. All subsequent oral or written forward-looking statements attributable to the Group or any member thereof or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statements above and below. Primeserv expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein or to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based. Forward-looking statements have neither been reviewed nor audited by the Group's auditors, Charles Orbach & Company.

## APPROVAL OF THE INTEGRATED REPORT

The Board of Directors acknowledges its responsibility to ensure the integrity of the Integrated Report. The Board has accordingly applied its mind to the Integrated Report and in the opinion of the Board the Integrated Report addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts. The Integrated Report has been prepared in line with best practice pursuant to the recommendations of the King III Code. The Board authorised the Integrated Report for release on 26 September 2012.

For and on behalf of the Board

M. Abel

**JM JUDIN**
*Independent Non-Executive Chairman*

**M ABEL**
*Chief Executive Officer*

# ORGANISATIONAL OVERVIEW

## PRIMESERV PROFILE

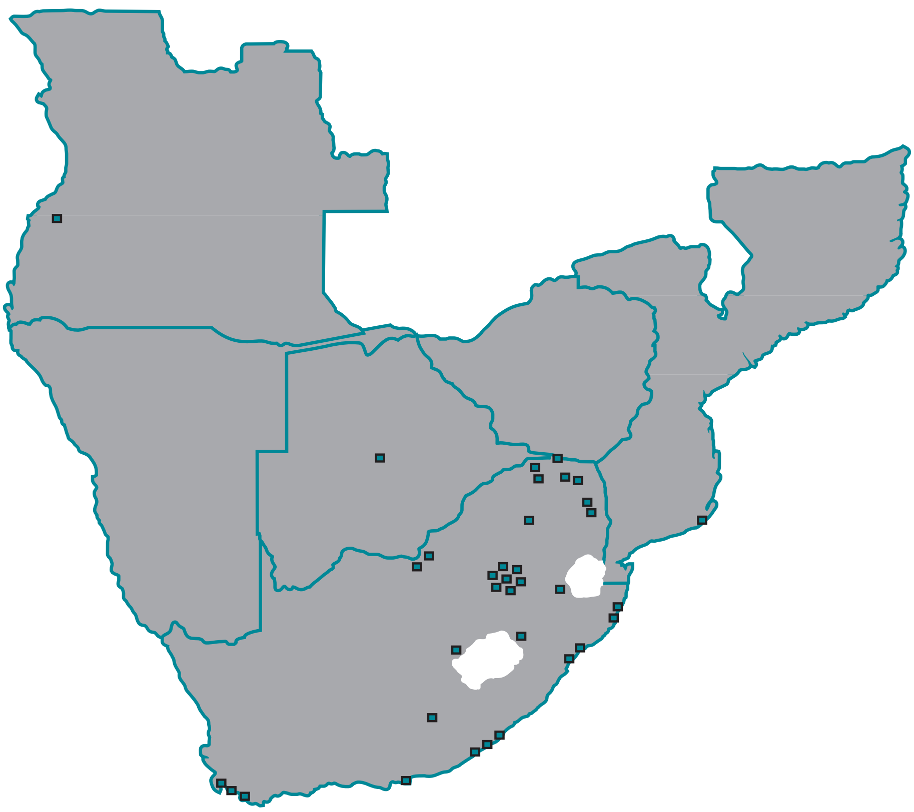
Primeserv Group Limited (Primeserv or the Group) is an investment holding company listed in the Industrial Goods and Services, Business Training and Employment Agencies sector of the JSE.

The Group focuses on delivering human resources (HR) products, services and solutions through its operating pillar, Primeserv HR Services. This incorporates two main areas of specialisation: Human Capital Development operating through two divisions, Primeserv HR Solutions and Primeserv Colleges; and Human Capital Outsourcing operating through the Group's largest division, Primeserv Outsourcing.

These divisions provide a comprehensive HR value chain that can be applied through Primeserv's Int**HR**grate™ Model in its entirety or in modular form. These divisions encompass an extensive range of HR consulting solutions and services, corporate and vocational training programmes, technical skills training centres, an employee training academy, computer and business training colleges, as well as resourcing and flexible staffing services, supported by payroll and wage bureau services and HR logistics outsourcing operations.

Primeserv HR Services' integrated approach to human resources and human capital management is driven by its focus on people, their productivity and client performance. Its HR products, services and solutions empower people and organisations to attain improved levels of performance and profitability.

## GEOGRAPHICAL FOOTPRINT



# ORGANISATIONAL OVERVIEW

continued

## GROUP STRUCTURE

PRIMESERV GROUP LIMITED

PRIMESERV HR SERVICES

### HUMAN CAPITAL DEVELOPMENT

PRIMESERV HR SOLUTIONS

PRIMESERV TRAINING

PRIMESERV ACADEMY

BATHUSI HR SOLUTIONS

HR Consulting
Corporate Training
Technical Training
Learnerships

PRIMESERV COLLEGES

STANFORD

WORKING WORLD COLLEGE

Technology-driven learning environment offering recognised and accredited computer and business programmes

### HUMAN CAPITAL OUTSOURCING

PRIMESERV OUTSOURCING

PRIMESERV RECRUITMENT

STAFF DYNAMIX

Denverdraft

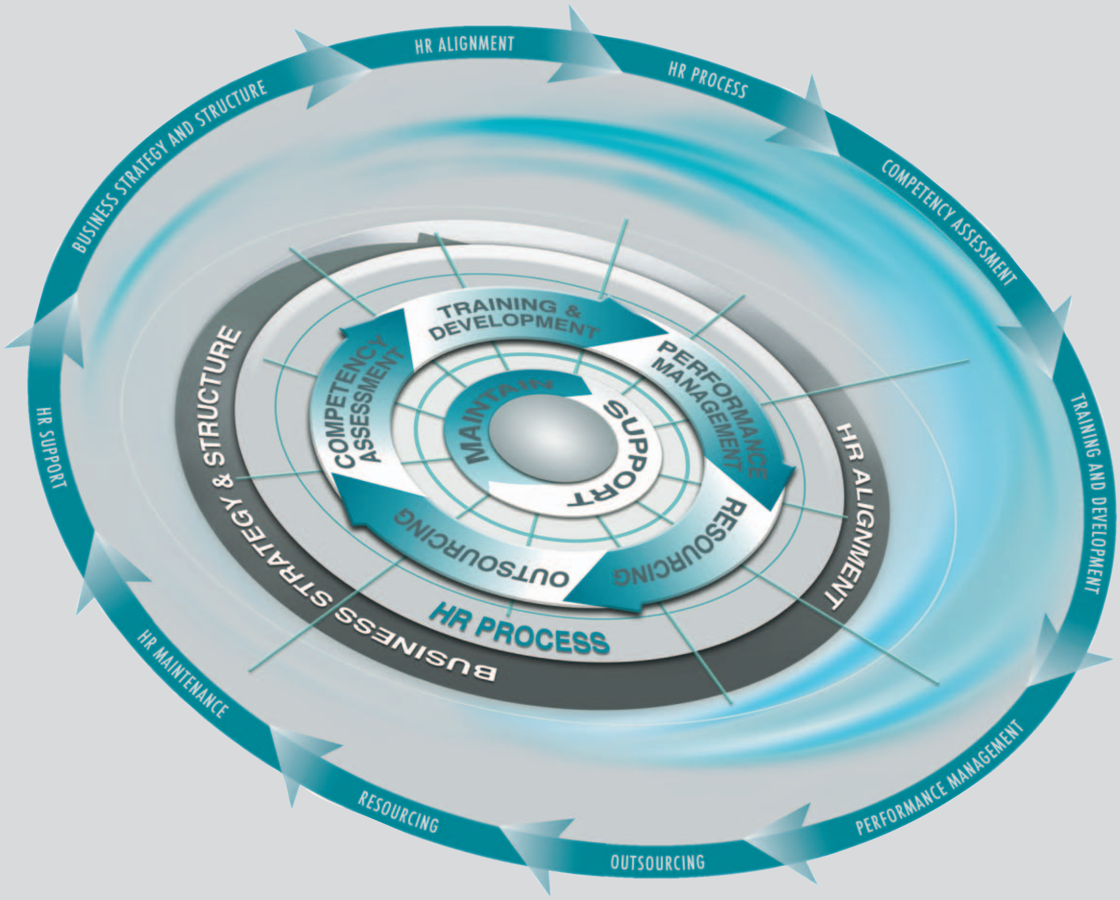
BATHUSI STAFFING SERVICES

EMPVEST OUTSOURCING

Flexible Staffing Services
Permanent Staff Resourcing
HR & IR Systems & Logistics Solutions
Mega-project HR Services
Payroll & Wage Bureau Services

## PRIMESERV'S INT**HR**GRATE™ MODEL

**The Primeserv Int**HR**grate™ Model differentiates Primeserv HR Services as a specialised operation providing 360° integrated or modular suites of benchmarked HR products, services and solutions. It enables Primeserv to unlock the entire HR process as a value driver in clients' businesses.**




### BACKGROUND AND CONTEXT

Primeserv is passionate about the contribution that human capital can and should make to the business strategy and capability of an organisation.

Worldwide, the HR function is playing an increasingly critical role as business partner, enabling companies to achieve their strategy through the most effective use of their primary resource – their human capital.

There is a clear evolution away from traditional, limited HR functions restricted to purely administration, payroll and legislative issues. In its increasingly important function as a business partner, HR is now making a vital strategic contribution to leadership, decision-making, succession planning and skills development.

Primeserv's HR Services is an acknowledged frontrunner in this evolution, partnering with its clients in identifying and developing HR strategies and processes which contribute to the achievement of their business strategies.

Primeserv's Int**HR**grate™ Model has been created around this central pillar of understanding the strategic and operational HR value chain. It adopts a 360° approach, providing a comprehensive suite of market-leading HR products, services and solutions which can be implemented on a modular or integrated basis to unlock the entire HR process as a value driver in clients' businesses.

The modular nature of the Primeserv Int**HR**grate™ Model allows clients to evaluate their HR/human capital needs and select:

- one or more product or service modules from the full Primeserv range
- an integrated HR process involving two or more modules
- a fully outsourced HR service.

## WHAT IS THE PRIMESERV INT**HR**GRATE™ MODEL?

### HR ALIGNMENT WITH BUSINESS STRATEGY AND STRUCTURE

Business strategies are implemented to utilise all assets cost-effectively with the aim of attaining stated business objectives.

Key questions are:

- Where are we going and what do we want to achieve?

HR contributes to this goal by assessing, training and developing available resources for current and future needs, performance monitoring, resourcing, outsourcing and maintaining and supporting the organisation's human capital.

- What needs to be done with regards to human capital to achieve the business strategy?

The HR function should implement, measure and manage the entire HR value chain to ensure that an organisation has the human capital required to achieve its strategy.

### HR PROCESSES

Results of human capital and the HR function can most effectively be measured tangibly when all HR processes are integrated.

- **Competency Assessment**

  The constantly changing business environment demands that people's skills and competencies be assessed continuously so that the business is fully aware of the output and value offering of its human capital at all times. Accurate assessment will ensure that the right people with the right competencies and skills are recruited for the right positions.

  Such assessment will enable identification and development of people with potential to meet career aspirations, aligning their development with future business needs through targeted training programmes.

- **Training and Development**

  Real business needs must dictate training and development. In addition, training and skills development interventions should meet the needs of the individuals concerned and, in the light of South Africa's own circumstances, be aligned with national imperatives in terms of continuous critical skills development.

- **Performance Management**

  Performance measures from strategic to operational levels are essential in tracking performance against business strategy to allow short-term remedial actions to be taken and adjust medium to long-term HR initiatives.

- **Resourcing**

  Profiled, assessed and competent permanent staffing is core to meeting an organisation's operational needs.

- **Outsourcing**

  The right skills in the right place at the right time in the right numbers are key to productivity and optimal operational performance. In the current business environment, flexible staffing solutions provide organisations with cost-effective, sustained staffing solutions which enable them to match staffing needs to operational requirements.

- **HR Maintenance**

  Efficient HR administrative systems will ensure that organisations meet their contractual obligations to their staff's overall satisfaction and ultimately their performance. These include payroll, reward and remuneration, health and safety and industrial relations.

- **HR Support**

  Employee emotional wellbeing has a direct impact on performance.

Such wellbeing is managed and nurtured through effective career and succession planning, stress/burnout management strategies, individual coaching and counselling and related interventions and HIV/AIDS initiatives.

# ORGANISATIONAL OVERVIEW

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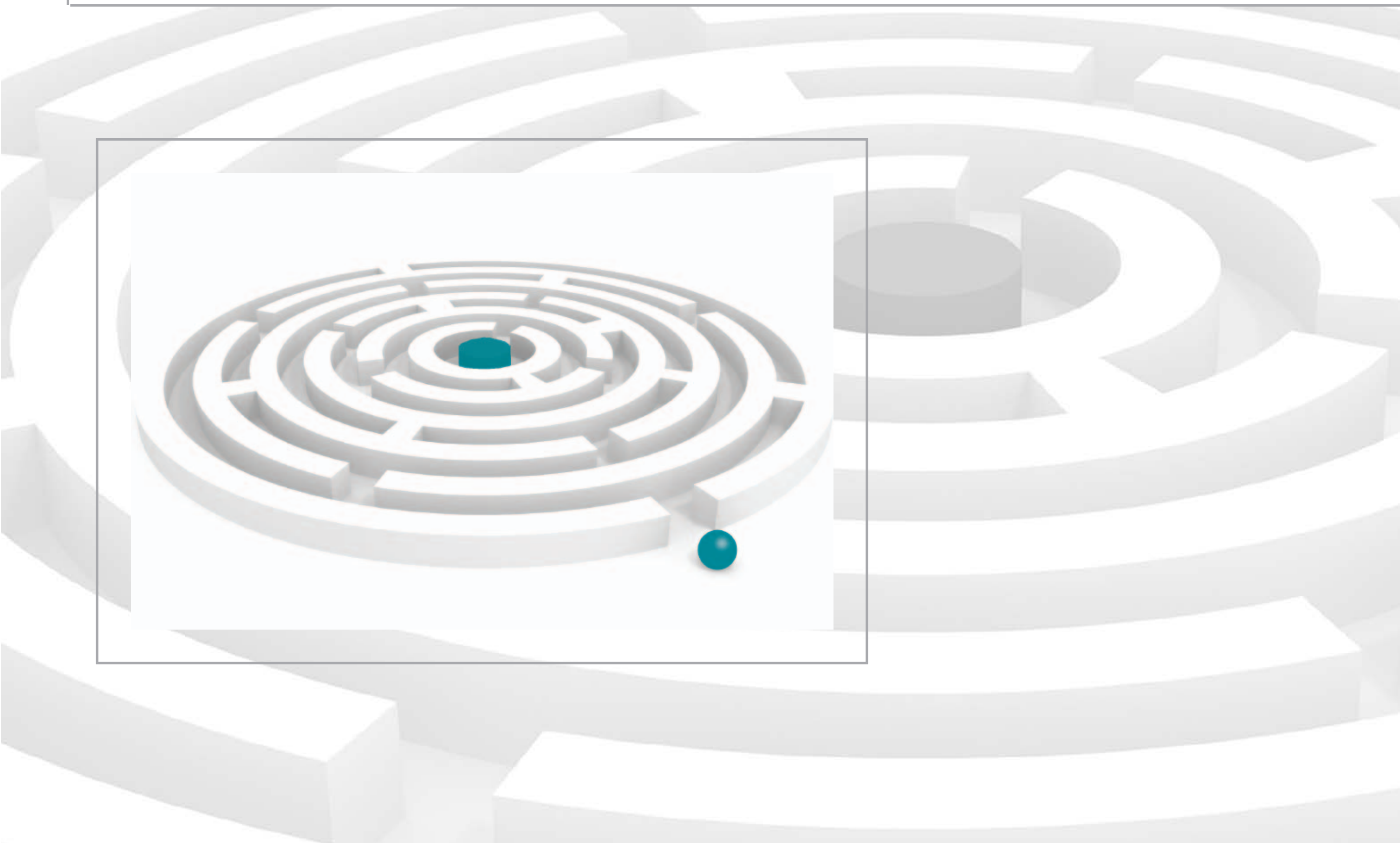
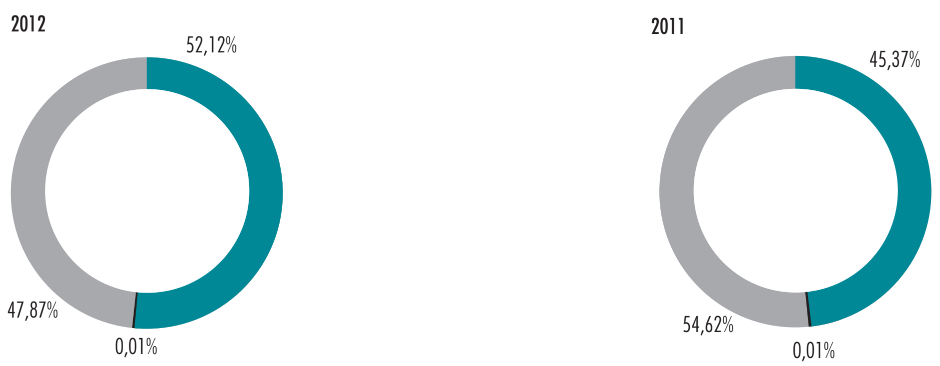


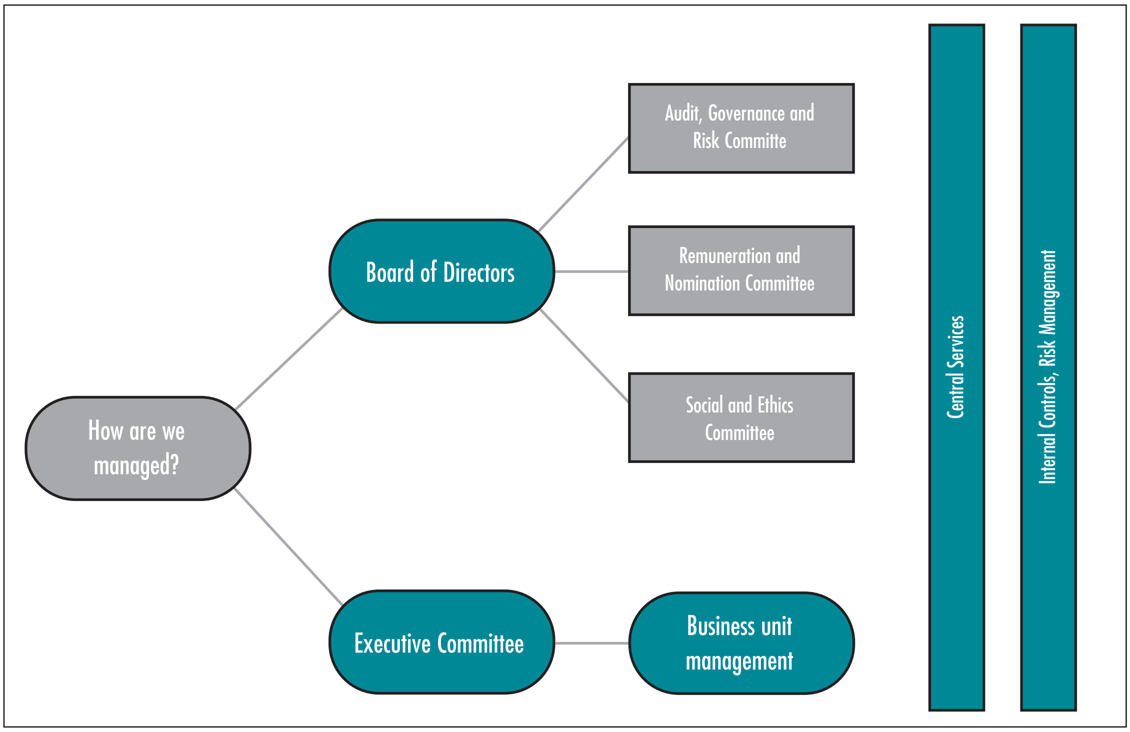
## OUR SHAREHOLDERS




Directors, management and treasury shares   Nominee companies and schemes   Individual and other corporate bodies

## The Group's BBBEE measurement in relation to the measured entities in the Group has improved in the current year with scores ranging between 1 and 4. In order to address the ownership element of the balance scorecard, the Group is in the process of completing the first phase of a broad-based BEE ownership participation scheme.

### HOW ARE WE MANAGED?



## BOARD OF DIRECTORS

### J Michael Judin *

**Independent Non-Executive Chairman**

*Dip Law*

Appointed: August 1997

Michael is a director of Johannesburg-based law firm Goldman Judin Inc. He is legal adviser to and director of The American Chamber of Commerce in South Africa. He is a Non-Executive Director of Set Point Group (Pty) Limited and Nu-World Holdings Limited.

### Merrick Abel #

**Chief Executive Officer**

*BA (Hons), MBA*

Appointed: August 1997

Director of numerous Primeserv subsidiaries. Since founding the Group in 1997 Merrick has served as CEO and was Executive Chairman from 2000 to 2003. He has over 25 years' local and international commercial experience, particularly in the industrial and services industries.

### Prof Saul Klein † ^

**Independent Non-Executive Director**

*BA (Econ), MBA, PhD*

Appointed: March 1998

Saul is the Dean and Lansdowne Professor of International Business, Gustavsan School of Business, University of Victoria (Canada). Saul held the South African Breweries Limited Chair of International Business and was Professor of Marketing at the Wits Business School. He has also held academic appointments at leading universities in Canada, the USA, Singapore and Australia.

### Raphael Sack

**Financial Director**

*BComm, BCompt (Hons), CA (SA)*

Appointed: June 2009

Raphael has been with the Group for six years and has been a director of various of the subsidiary companies during that time. Prior to this he was the Financial Director of various other companies including Spanjaard Limited, a company also listed on the JSE.

### Letepe M Maisela * #

**Non-Executive Director**

*BA Soc Sc*

Appointed: December 2008

Letepe is the Managing Director of Village Management Consulting (Pty) Limited. He has over 26 years' experience in marketing and management consulting. He is the founder and chairman of Tsabatsaba Holdings (Pty) Limited (formerly Kgorong Investment Holdings (Pty) Limited). Letepe is currently Chairman of International Finance Group (IFG), the Harvard Business School committee – South Africa and Underline Advertising Agency. He is also a director of The Limpopo Trade and Investment Agency, Kayamandi Resources and The National Arts Festival – Grahamstown.

### Desmond C Seaton

**Executive Director**

*BCom, LLB, Dip Tax*

Appointed: August 2003

Desmond is a founder member of Thoth Consulting CC, a tax and legal consultancy. He specialises in corporate, legal and tax advice. He is also a Non-Executive Director of ISA Group Limited and was appointed as executive director of Primeserv on 29 June 2012.

### David L Rose †

**Independent Non-Executive Director**

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

Appointed: February 2005

David is an independent consultant. He spent 41 years with Fisher Hoffman, a major national firm of Chartered Accountants. 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 is a Non-Executive Director of Super Group Limited.

### Cleopatra Shiceka † #

**Independent Non-Executive Director**

*BA LAW, (University of Swaziland) LLB, HDIP TAX (Wits)*

Appointed: August 2009

Cleopatra is currently the General Manager, Office of the Chief Executive of Transnet Freight Rail as well as General Counsel on the Executive Board of the Union of African Railways UAR, a specialised agency of the AU, and a committee member advising the Executive Board of the International Association of Railways (UIC) in Paris. Cleopatra is the non-executive Chairperson of Gabcon and a non-executive director of Reutech and has vast experience in the regulatory environment as well as in specialised finance.

† *Member of the Audit, Governance and Risk Committee*
* *Member of the Remuneration and Nomination Committee*
\# *Member of the Social and Ethics Committee*
^ *American*

## STAKEHOLDER ENGAGEMENT

| Stakeholder | Method of engagement | What matters to them | Outcomes of engagement |
|---|---|---|---|
| Shareholders | All shareholders are invited to attend the annual general meeting of the Company at which they are able to engage with the Board and executive management on matters detailed in the Integrated Annual Report as well as on other matters that may be pertinent.<br>In addition, the CEO is in contact with various investors and analysts at which non-price sensitive information is communicated.<br>Information is also conveyed to shareholders via the JSE's SENS as well as publications in various industry journals and the press and also on the Company's website. | Earnings potential and capital appreciation. | Shareholders are appropriately apprised of the Group's activities.<br>Stable major shareholder base.<br>During the year, directors and management increased their shareholding in the Company. |
| Customers | There is continual interaction with customers by all levels of management, the sales force and other operational staff. Information is also conveyed in the form of briefs that detail and describe the Company's view on matters relevant to customers and the industry as a whole.<br>Information is also made available via the Company's internet sites. | Uninterrupted and on-time supply of services; product offerings; meeting and exceeding their expectations. | Stable major customer base.<br>New customer growth.<br>Proactive identification of needs and timely resolution of queries. |
| Employees | Communication with employees occurs through a formal induction process together with letters and memoranda from management, regular meetings at operational and executive management level (Excos).<br>Regular performance appraisals are carried out.<br>Primeserv's employees are viewed as key stakeholders as the Group recognises that successful businesses are built on loyal, happy and motivated employees. Anonymous climate surveys are conducted to assess employee satisfaction and areas of concern. | Fair remuneration and working conditions.<br>Skills development.<br>Career path management.<br>Performance intervention. | Staff retention.<br>No industrial action and improved relations with employees.<br>Skills development. |
| Communities | Primeserv has engaged with a number of community organisations in the areas in which the contract workers reside. The Company also makes contributions to various customer initiatives which are also intended to uplift communities.<br>Primeserv provides financial support to community skills development initiatives.<br>Primeserv supports charitable organisations focusing on nurturing AIDS orphans. | Regular interaction and contributions. | Improvement in the ability of the NGOs to meet community needs.<br>Staff involvement in promoting the image of the Group in the wider community.<br>Making a positive difference in the lives of community members. |
| Government and industry bodies | The Group and its operations engage on a regular basis with various government and industry bodies through attendance and membership of industry-specific associations and bodies at which Primeserv employees are active participants. | Compliance with legislation and regulation, including the timeous payment of imposts. | Full compliance.<br>Proactive engagement with changing legislative environment. |

## RISKS, OPPORTUNITIES AND STRATEGY

### RISK MANAGEMENT

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.

The table below described how the Group's identified challenges, including the sustainability-related matters, are being addressed:

| Key challenges | Control and/or mitigation strategy |
|---|---|
| Uncertainty regarding regulation in the TES industry. | The ongoing much politicised and publicised debate between government, business and organised labour, in regard to the banning or increased regulation of the TES/labour broking industry, has progressed and appears to have culminated in government's view that increased regulation, not banning, is required.<br>In anticipation of an environment of increased labour law legislation, Primeserv decided to maintain, and in some instances, increase its overhead structure in order to uphold market-leading client centric services.<br>Primeserv is of the view that the impending labour legislation will favour the larger and more reputable TES providers who have the necessary IT and HR/IR infrastructure and are capable of meeting the demands of a strictly regulated environment.<br>As part of its response to the regulatory issues facing its TES businesses, the Group made investments in new products and services allied to its existing product range. |
| Attracting and retaining senior HDIs. | Learnership programmes are used to develop senior HDIs and improved recruitment and retention strategies are employed. |
| Skills shortages. | Most businesses in the Group are affected by skills shortages and investment is made in employee training and learnerships.<br>A dedicated unit, Primeserv Employee Training Academy, has been established to facilitate the process of internal up-skilling. |
| IT systems – implementation process of new software and systems. | The implementation risk has been reduced through a highly experienced implementation team and systematic and phased implementation approach.<br>The Board is kept apprised of the roll-out of all significant IT projects. |
| Developing a comprehensive sustainability and management framework and setting uniform sustainability targets that suit Primeserv's organisational structure and culture, independence and entrepreneurial flair. | This is a work in progress, especially in view of the King III requirement of integrated reporting. To assist this process, the Group's Transformation Committee's terms of reference has been changed and the Committee has been renamed the Social and Ethics Committee with one of its key areas of responsibility being sustainability. |
| Developing an effective sustainability data collection system. Primeserv's decentralised and multi-faceted structures make data collation a challenge. | The 2011 financial year was the first year during which sustainability data was collected and compiled. Improvements will be made to the data definitions and the data collation process. Additional non-financial data will be expanded and ongoing improvements will be made. |

# STRATEGIC RESPONSE

continued

## STRATEGY

Leveraging the Primeserv HR Services value chain to achieve a sound return on investment is driven by three core strategies:

- to build a strong statement of financial position which facilitates organic and acquisitive growth opportunities;
- to invest in intellectual capital and a strong management team; and
- to secure and maintain both daily and long-term contractual business to deliver real earnings growth.

Ongoing transformation of the organisation through employment equity and skills development underpins the Group's BBBEE strategy.

The Group is committed to:

- frequent and meaningful interaction with clients to align product offerings with client needs
- improving its knowledge of market dynamics
- delivering economically measurable value
- investing in HR products, services and operating facilities in a sustained and focused manner
- expanding its client base and market reach
- ensuring effective resource allocation and cost containment
- promoting strong values and a performance-driven organisational culture
- extending its presence in southern Africa to meet clients' needs as they expand into the region
- maintaining its key competitive advantage by building internal capability in a nurturing working environment
- enhancing the Group's leadership position in HR consulting, skills development and flexible and permanent staffing services while evolving its integrated HR services model
- diversifying its product streams within the HR Services environment and reducing dependency on any single operating pillar
- nurturing effective BBBEE internally and externally
- becoming the integrated HR services provider of choice

## STRATEGIC REVIEW

The effects of South Africa's history have wrought a socio-political environment that is unique in the world, especially given the pressing need to transform all tiers of society and the economy into one that is truly representative of the mix of people populating the country. Within this environment, skills development and training has been identified as a national priority and it is these objectives that offer an opportunity for Primeserv to develop and deliver meaningful and sustainable value-add to a multitude of clients. The Group's focus on a suite of HR products, offered through its Int**HR**grate™ model, provides a comprehensive range of products suited to deliver required skills to where they are most needed.

The Group has embraced technology wherever practicable to enhance the delivery of its products and to enable cost efficiencies to be achieved both for Primeserv and its clients, while all the while ensuring that the highest standards are maintained. Primeserv avails of its own products internally in a continual process of self-evaluation as well as up-skilling its own staff. Various benchmarking processes are also used to ensure that the products offered are aligned with the needs of clients generally, all in accordance with international best practice. Primeserv strives to maintain its reputation as a supplier of choice addressing the HR/IR needs of clients, as well as the ability to train learners in a range of courses, from computer skills, to tourism, to bricklaying, and beyond.

Cognisant of the peculiar labour environment, the Group is represented in a number of industry bodies, both to project its own advice as well as to garner an understanding of the latest trends regarding legislation and regulation. These representations allow the Group to rapidly adjust its operational structures to conform to the latest developments.

Partnering with Primeserv allows organisations to effectively free up internal resources and focus on core activities. In a business climate featuring high degrees of price and product parity across competitors, skills shortages, economic contraction and resulting volatility of staff demands, Primeserv's tailored HR products and services are key tools enabling business success.

Primeserv continues to seek to establish itself as an employer of choice within the South African business environment. The day-to-day manifestation of Primeserv's values, principles and strategies are monitored and guided by the Central Services unit and it provides an essential binding function in establishing a rewarding work environment for employees at all levels within the Group. Employees participate, structurally and in terms of ethos and culture, in the development of their own career paths while contributing to the success of the Group. The Central Services unit provides strategic direction and tactical business planning to all businesses within the Group, whilst maintaining its primary focus on investments, financial control and ongoing analysis of resource allocation and risk assessment.

South Africa's complex socio-political make-up and legacy create unique human capital challenges for local companies, as authentic diversity within the workplace with effective transformation reporting mechanisms at all company levels to meet Black Economic Empowerment targets, is required. Skills development must therefore take place within the wider context of the national transformation agenda to ensure sustainable business.

Primeserv's primary focus on the human capital industry has informed its strategy to position all its operational divisions as market-driven and client-centric, and ultimately to offer an integrated HR value proposition able to cater to the unique South African human capital environment.

Primeserv's Int**HR**grate™ model is the central platform supporting Primeserv HR Services, the Group's primary operating component. Int**HR**grate's™ proprietary service offering effectively differentiates Primeserv in the industry. Ongoing internal re-appraisal and evaluation processes ensure effectiveness in the fluid and dynamic market sphere within which the Group operates, thereby keeping the Int**HR**grate™ model relevant to changing market dynamics. Through these processes of continual refinement and improvement, new technology and global best practices are brought into the client's strategic and operational structures. Primeserv's ability to customise products, services and solutions for varying business and industry sectors, as a result of the Int**HR**grate™ modular structure strengthens its value proposition.

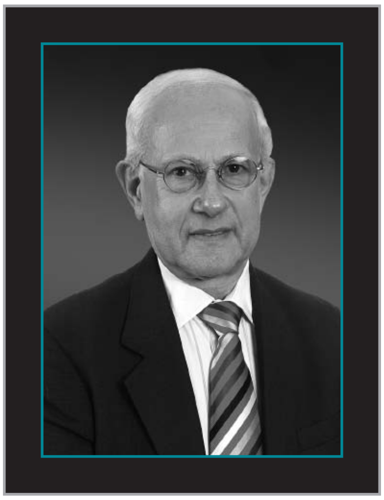
# STRATEGIC RESPONSE
continued

Global markets are steadily moving away from limited, internally-focused HR solutions to comprehensive, outsourced HR management. Locally, proposed changes in legislation with heightened levels of complexity will further increase the need for specialist outsourced capabilities. Through Primeserv's modular HR approach local companies are exposed to global human capital management trends as well as being guided on legislative changes and the implications thereof.

This is an important advantage for local businesses, which need to remain competitive in the global framework and which face an urgent strategic need to offer nurturing and sustainable growth environments to employees. Primeserv's offering of access to global trends and developments enable businesses to stay in touch with, and cater to, fast changing employee and business needs.

The Group's technical ability and its practical understanding of complex local operating and legislative structures have resulted in the development of long-term relationships with clients who entrust the majority of their human capital requirements to Primeserv – and who enjoy quantifiable benefits as a result.

The application of the Int**HR**grate™ Model as a comprehensive, outsourced human capital tool, which offers a significant edge to Primeserv's clients, increased the Group's market penetration. This, combined with further investment in internal capacity and systems and the effective nurturing of resources to support the Group's ongoing growth over the medium term, consolidated Primeserv's market position.



J MICHAEL JUDIN
*Independent Non-Executive Chairman*

## CHAIRMAN'S REPORT

Integrated reporting is an evolving process and as such requires strategic reporting methodology to be implemented by the Board. It therefore gives me great pleasure to present Primeserv's second Integrated Report, which is further testimony to the Group's commitment to responsible corporate citizenship and triple bottom line reporting on economic, social and environmental indicators.

During the year the decline in non-discretionary expenditure, including skills development and training, continued as a result of the prolonged impact of the economic recession and the resultant effect on local business. The Group's Human Capital Development segment was affected by reduced client expenditure and learner numbers within the tertiary environment were affected by poor economic conditions. The contraction in the national employment and contract labour levels impacted the Human Capital Outsourcing segment. The Group nevertheless still produced a creditable performance, a reflection of the resilience of its business model.

Playing an important role in the future sustainability of South Africa is Primeserv's offering, which prioritises job creation and employment, underpinned by skills development programmes and learnerships.

With an average of over 30% of temporary employees evolving into permanent employment, Primeserv plays a pivotal transformative role through its placement of temporary staff, as temporary staff are often placed in their first jobs, skills are transferred, and thereby they are enabled to enter the permanent job market, with the consequential advantages to the economy and the individuals employed.

Employee capacity, performance and ability are directly determined by the relevant skills, knowledge and abilities that such an employee possesses, and the currency and relevance thereof. The developmental state in South Africa has the objective of actively intervening in the economy to drive investment in targeted areas to achieve a long-term vision of a higher value added, labour absorptive and racially integrated economy. Government's stated objective is to construct a developmental state that is also able to root out poverty, deliver quality services, fight corruption, improve access to quality education, ensure economic growth and create more jobs in the economy.

South Africa is facing significant economic challenges, which include the need to accelerate the growth rate to create wealth that enhances the standard of living for all South Africans; increase employment creation; develop industrial capabilities to decrease the country's dependence on commodity exports; and transform the ownership and management profile of the economy to reflect that of the broader South African population.

The ongoing much politicised and publicised debate between government, business and organised labour, in regard to the banning or increased regulation of the TES/labour broking industry, has progressed and appears to have culminated in government's view that increased regulation and not banning is required.

In anticipation of an environment of increased labour law legislation, Primeserv decided to maintain, and in some instances, increase its overhead structure in order to uphold market-leading client centric services.

Primeserv is of the view that the impending labour legislation will favour the larger and reputable TES providers who have the necessary HR and information systems infrastructures capable of meeting the demands of a strictly regulated environment.

The negative perceptions created by the debate surrounding legislative issues relating to the TES industry placed downward pressure on the Group's share price performance. This can be expected to continue until certainty prevails.

Primeserv's commitment to transformation is embedded in the culture of the business and the success of transformation initiatives is critical to the economic and social sustainability of the country. Primeserv has established a platform of responsible corporate citizenship and has aligned its sustainability reporting processes with emerging global reporting standards and in accordance with the Global Reporting Initiative's guidelines. The Group is committed to enhancing its sustainability management protocols to improve its responsible corporate citizenship and to increase the visibility of its broader sustainability initiatives.

As part of Primeserv's ongoing BBBEE initiatives, and in order to address the issues relating to the ownership element of the balanced scorecard, the Group is in the process of completing the first phase of a broad-based BEE ownership participation structure.

The levels and pace of economic recovery in South Africa remain unpredictable. Trading conditions continue to be uncertain, but Primeserv remains well positioned to take advantage of opportunities, organic and acquisitive, that are presented.

Thank you to my fellow directors for their insight and commitment to the Group. To our CEO, whose leadership has steered us through these uncertainties, and our team of executives, management and staff, thank you for your contribution during the past year.

J MICHAEL JUDIN
*Independent Non-Executive Chairman*

MERRICK ABEL
*Chief Executive Officer*

## CEO'S REPORT

The economic environment remained challenging as the global slowdown continued to cloud South Africa's prospects. Towards the end of the year under review world oil prices declined sharply and lower fuel costs brightened both the global and domestic inflation prospects. Organisations, however, still curtailed their discretionary spend relating to skills development and employment and both business and consumer confidence remained under pressure, with consumer inflation gradually starting to ease in the last quarter of the review year. Against this background, the Group remained profitable, reflecting its ability to sustain earnings in a difficult environment.

Primeserv strengthened its market position as human capital partner to a spectrum of South African and international companies and organisations with varied strategic and operational requirements and benefited from its expanded national footprint strategy.

The Group's client-centric focus is driven by ongoing re-engineering of its products, services and solutions to ensure relevance to market dynamics and client interests.

The Group encourages a culture of innovation supported by entrepreneurial flair and to this end the Primeserv Employee and Training Academy was expanded to assist staff in developing skills which enhance career paths and facilitate personal growth, to the benefit of both the individual, clients and the Group. The successful development of an authentically empowered and diverse Group staff complement is a key focus point of Primeserv's transformation strategy.

The Group's Human Capital Development and Human Capital Outsourcing operations constitute an interlocking unit that delivers tailor-made, integrated products, services and solutions to clients nationally, through the Group's proprietary Int**HR**grate™ Model. This model has established Primeserv HR Services, the Group's operating pillar, as a leading human capital services provider.

Primeserv offers temporary and permanent staffing solutions as well as skills development and consulting solutions. This comprehensive integrated approach to human capital management is one of the Group's main strengths and an important differentiator in an increasingly competitive environment.

Profitability in the Group is linked to the ability to service the operational and strategic imperatives of clients, who, especially within the current changing legislative landscape, face significant challenges in increasing the efficiencies within their businesses and their marketplace performance while simultaneously remaining compliant. Within this context, it is satisfying to note that growing numbers of our clients outsource their portfolio of human capital requirements to Primeserv.

Primeserv's performance is underpinned by its commitment to building specialised management and executive capability. The Primeserv management team continues to show its entrepreneurial ability in this sphere, motivating employees and stimulating growth and development opportunities within the Group's operating units.

Seeking constant innovation in the human capital landscape, Primeserv is differentiated by its integrated processes of delivering on relevant human capital products, services and solutions, through continuously refining the Group's offering and supporting its delivery in the marketplace with the development of strong organisational systems and structures.

### INT**HR**GRATE™ MODEL

The Int**HR**grate™ Model is Primeserv's key market differentiator. Designed to provide a comprehensive suite of HR products, services and solutions, Int**HR**grate™ is being accepted and implemented across a broad range of client industries.

Legislative obligations which are ever more complex and onerous, are driving a growing awareness across the market of the values and benefits which a model such as Int**HR**grate™ can deliver to organisations. Int**HR**grate's™ modular structure allows businesses to apply specific products and/or solutions at specific periods and offers a structured focal point from which they can draw on additional components as they become more relevant. Crucially, it also offers a consolidated point from which companies are able to evaluate their compliance with legislative requirements.

Due to Int**HR**grate's™ modular structure, both the client and Primeserv are able to align appropriate human resources and industrial relations strategies to deliver superior productivity and performance, across all tiers of an organisation.

### ECONOMIC CONTEXT

Growth in the South African economy slowed down to 2,1% year-on-year during the first quarter of 2012 after recording 3,1% in 2011 as a result of both external and domestic features. The renewed strains suffered by the global economy since the second half of 2011 impacted the demand for domestic goods. Expectations on consumer spending, the largest GDP component, have been adjusted downward at the end of the first quarter of 2012 to align it with, amongst other factors, a softer employment outlook.

The initial market recovery detected in 2011 is faltering as the unemployment rate increased to 33,8%, which is higher than the pre-recession low of 26,6%, as measured in the fourth quarter of 2008 *(source: Labour Market Performance Report, released by UCT)*. The economic slowdown and existing labour regulations have resulted to a large degree in South Africa's labour market's inability to generate sufficient jobs, especially for the youth and unskilled workers. The relationship between economic growth and employment creation seems to be lagging further.

### OUTPUT AND EMPLOYMENT

Year-on-year employment increased by 2,3% (304 000), unemployment increased by 3,7% (162 000), the number of discouraged work-seekers increased by 5,0% (112 000) and other (not economically active) decreased by 0,8% (106 000) resulting in the not economically active as a whole remaining virtually unchanged (a net increase of 6 000) *(source: Quarterly Labour Force Survey, Statistics SA)*.

South Africa's labour productivity has fallen by 41,2% since its peak in 1993. Declines in the construction, manufacturing and financial services sectors offset almost all employment growth in other sectors. The informal sector employment has been rising steadily over the last year. Two main factors have contributed significantly to driving down labour productivity:

- Increased worker protection from dismissal contained in the Labour Relations Act (1995) had made it more difficult for employers to manage poor performance from workers; and
- Bargaining councils had de-coupled wage increases from productivity gains resulting in wages no longer being an incentive for improved productivity.

Whereas productivity is a paramount economic goal, the contribution that labour makes to overall productivity, being labour productivity, is a central force in the labour market.

According to the World Economic Forum's Global Competitiveness Report 2012, restrictive labour regulations and a poor work ethic were among the most problematic factors for doing business in South Africa.

Two primary issues that will continue to have an important bearing on the future trajectory of the local economy are productivity and skills development.

Skills development is an important strategic indicator as productivity levels relate directly to the skills levels of the country's workforce. The nucleus of future economic growth in South Africa is a strong transformational foundation, with particular focus on blue collar skills through a concerted drive from both the public and private sectors.

Success in the key area of skills development will provide an effective platform from which to deal with some of the major areas of focus within the national economy, such as workforce capability and productivity, crime and the costs to business of HIV/AIDS and tuberculosis.

While Primeserv is both a direct and indirect beneficiary of various national capital initiatives, it will nonetheless, like most other South African companies, have to trade in a lethargic economic environment over the medium term.

### TEMPORARY EMPLOYMENT SERVICES

After almost six years of debating how to give proper legal protection to atypical (contract or temporary) workers, especially those employed by the TES industry – business, government and labour organisations still do not agree. Labour accuses government of not having gone far enough to protect worker rights, while employers hold that government has created a hostile environment for business, with little promise of job creation, flexible employment or economic growth.

The regulations to be introduced by the anticipated labour legislation amendments (the Bills) have caused business to be concerned that these attempts by government to further regulate labour legislation, will only serve to increase employment cost burdens.

The TES industry has long advocated the need for specific regulation to govern this sector. As a member of CAPES and BUSA, Primeserv is committed to regulation that is fair, effectively enforced and that especially recognises the dynamic nature of the current labour market. In this regard, Primeserv regularly engages not only at the NEDLAC level of negotiations, but also with a broad range of stakeholders, in order to identify opportunities to create such a regulatory environment.

Business, in order to remain competitive, is increasingly choosing to outsource non-core functions, as well as engage specific skills for specific projects. The nature of these employment relationships varies, but most still can be defined as atypical.

To effectively manage the sourcing, recruiting and administering of flexible labour, business is increasingly looking to specialists, especially in the form of TES providers such as Primeserv.

The Centre for Development and Enterprise (CDE) recently released research outlining the importance of the role of the regulated TES industry within the economy. The research indicates that 61% of the companies polled, utilise TES providers to manage peaks in demand, while 48% make use of such providers for contingent labour needs. In this context 29% of domestic employment is of a temporary nature, of which at least 26% are engaged through TES providers, mostly for medium and large enterprises.

The amendments to the Bills (Labour Relations and Basic Conditions of Employment) are now being considered by parliament.

Primeserv has adopted a proactive approach to the impending labour legislation and is positioned to deliver its services within the proposed labour framework.

### FINANCIAL STRATEGIES AND TARGETS

Primeserv's strategy is that of an investment holding company in the services industry. The Group's overriding strategic imperative is to achieve sustainable growth, both organically and acquisitively, through its existing staffing, skills development and HR consulting operations, as well as through the diversification of its revenue streams through a series of corporate activities.

As part of its response to the regulatory issues facing its TES businesses, the Group made investments in new products and services allied to its existing product range.

Acquisition opportunities will be assessed with regard to their contribution to overall Group performance and future sustainability. The return on capital employed will be improved and maximised through enhanced efficiencies and effective working capital management.

This strategy is aimed at enhancing the profitable sustainability of the Group.

## BROAD-BASED BLACK ECONOMIC EMPOWERMENT

In line with its broader transformation objectives, the Group continued to focus on a number of the more broad-based aspects of the BBBEE generic scorecard, where its ownership credentials at the subsidiary level are satisfactory. Focus was in particular given to skills development, preferential procurement, enterprise development and socio-economic development.

As a result of the above initiatives, the Group's BBBEE measurement in relation to the measured entities in the Group has improved in the current year with scores ranging between 1 and 4. The scorecards for individual Group entities are posted on the Group website, www.primeserv.co.za for review and direct access by clients and suppliers.

## CORPORATE CITIZENSHIP

The Board is committed to the principles of openness, integrity and accountability and to the provision of timeous, relevant and meaningful reporting to all stakeholders. They accept their duty to ensure that the principles set out in the King Report of Corporate Governance for South Africa – 2009 (King III) are implemented.

Salient features of the Group's corporate governance policies and procedures as well as on sustainability are recorded on pages 23 to 47 and pages 50 to 55 of the Integrated Report.

## DIVIDENDS

As set out in the announcement to shareholders dated 29 June 2012, the Board resolved that a final dividend would not be declared for the year ending 31 March 2012 and accordingly the full year dividend is constituted by the dividend of 0,5 cents per share declared at the time of the release of the interim results.

The Board will continue to consider the resumption of dividend payments at the close of each reporting period, but it is anticipated that in the short term, dividend payments will not be resumed due to the expected increased working capital requirements of Group operations attributable to improving revenues anticipated out of the evolving TES environment.

## PROSPECTS

As part of its response to the regulatory issues facing its TES businesses, the Group made investments in new products and services allied to its existing product and service range. This expenditure related to additional office infrastructure, improved information systems, new course material and the employment of more personnel so as to provide increased capacity and capability in anticipation of future requirements. These costs will affect short-term earnings, particularly in the current year.

Volume growth within existing operations and the continual review of operating expenditure to achieve optimal efficiencies remain Group imperatives. The introduction of new products and services in the spheres of business process outsourcing, permanent recruitment and the Primeserv Employee Training Academy has been undertaken. The Group remains focused on further developing its marketing and sales capability. All of these, taken together, are intended to enhance profitable sustainability for the Group. Nevertheless, the prevailing business and operating environment dictates that the Group's performance outlook remains conservative.

This general forecast has not been audited nor reported on by the Company's auditors.

## ACKNOWLEDGEMENTS

I thank all my fellow stakeholders for their support during the year and for ensuring that the Group continues to deliver across the social, economic, environmental and cultural pillars of sustainability.

Thank you to our Chairman, Michael Judin, for his leadership of the Board and to my Board colleagues for playing a vital governance, oversight and guidance role.

Thank you to our employees for all your effort and commitment. I look forward to your continued support in the year ahead.

M. Abel

**MERRICK ABEL**
*Chief Executive Officer*

## FINANCIAL DIRECTOR'S REPORT

This report provides information on the financial position and performance of the Group and should be read in conjunction with the annual financial statements presented on pages 56 to 90. A summary of the results is shown below.

| | Audited 12 months ended 31 March 2012 R'000 | % change | Audited * 15 months ended 31 March 2011 R'000 |
|---|---|---|---|
| **FINANCIAL RESULTS** | | | |
| Revenue | **613 145** | (8) | 665 281 |
| EBITDA | **7 008** | (39) | 11 417 |
| Operating profit | **5 619** | (36) | 8 845 |
| Attributable profit | **7 359** | (11) | 8 229 |
| Headline earnings | **7 359** | (11) | 8 229 |
| Total assets | **151 386** | 18 | 127 833 |
| Total liabilities | **77 856** | 42 | 54 937 |
| **SEGMENTAL ANALYSIS** | | | |
| **Revenue** | | | |
| Human Capital Outsourcing | **552 309** | (9) | 606 007 |
| Human Capital Development | **60 836** | 3 | 59 274 |
| **Operating profit** | | | |
| Human Capital Outsourcing | **10 369** | (37) | 16 564 |
| Human Capital Development | **(1 206)** | (56) | (2 766) |

| | Audited 12 months ended 31 March 2012 | % change | Audited * 15 months ended 31 March 2011 |
|---|---|---|---|
| **PERFORMANCE PER SHARE** | | | |
| Headline earnings (cents) | **7,88** | (2) | 8,05 |
| Dividend to shareholders (cents) | **3,0** | – | 3,0 |
| Net asset value per share (cents) | **80** | 4 | 77 |
| Closing share price (cents) | **47** | 7 | 44 |
| Price:earnings ratio | **6,0** | 9 | 5,5 |

* *Restated*

## OPERATING PERFORMANCE

The results for the prior financial year were for a 15-month period as the Company changed its year end from the end of December to the end of March in order to better align the financial reporting period with the underlying operational trading cycles of the primary business activities. In order to facilitate some comparisons, annualised values based on restated amounts, where applicable, have been detailed in the commentary presented hereafter.

Revenue for the year was R613,1 million compared to annualised revenue for the prior period of R532,2 million, reflecting annualised growth of R80,9 million (15%). Similarly, gross profit has increased from an annualised R96,6 million to R113,8 million at a level consistent with that of the prior period. EBITDA has decreased from R9,1 million to R7,0 million.

## DEPRECIATION AND CAPITAL ADDITIONS

During the year a total of R2,2 million was spent on capital additions across the Group of which R1,5 million was expended in the Human Capital Development segment, mainly for computer equipment and training and course material. Depreciation for the year was R1,4 million compared to R2,1 million annualised for the last financial period. No major additions are intended in the forthcoming year. The Group also acquired certain properties during the year, at a cost of R7,7 million, partly for cash and partly in exchange for the cession of certain claims against debtors. These properties are regarded as investment properties and will be disposed of in the medium term.

## OPERATING PROFIT

Operating Profit for the year was R5,6 million compared to R7,1 million (annualised) for the prior period.

The operating profit of the Group's largest segment, Human Capital Outsourcing, was R10,4 million for the year under review while that of the Human Capital Development segment was a loss of R1,2 million compared to an annualised loss of R2,2 million for the last financial year. Central Services has continued to contain costs and its operating loss was reduced from an annualised R4,0 million to R3,5 million. The general economic environment has remained subdued with little indication that it is emerging from what has become a prolonged global recession. This has continued to have a bearing on many of the Group's operations.

## INTEREST

The increased level of borrowings has led to interest paid increasing from R3,8 million annualised to R5,0 million. Interest received increased from an annualised R3,8 million to R6,3 million.

## ASSOCIATE COMPANY

The share of the loss from the company's associate, Bathusi Staffing Services (Pty) Limited increased from R0,2 million to R1,4 million. The loss is in large part attributable to the loss of a major customer in an area where significant replacement business is difficult to find. New business has been identified and new contracts commenced post year-end.

## PRIOR YEAR ADJUSTMENT

During the year the Company completed the implementation of a fully integrated accounting and payroll platform. Management identified that the previously required manual integration of payroll information into the accounting system had led to an overstatement of gross profit within those regions in which the new system had not been implemented. After a thorough investigation it was concluded that a restatement of results for prior years was required, as has been detailed in the attached financial statements. The new system has full integration into the accounting system and eliminates the potential for similar error.

## PROFIT BEFORE TAXATION

Profit before taxation was R5,5 million, a return on sales of 0,9%, compared to R6,9 million (annualised) and return on sales of 1,3%. The effective rate of taxation was negative attributable to a combination of learnership allowances and the reversal of impairment of deferred tax assets.

## SHARES IN ISSUE AND EARNINGS PER SHARE

The earnings per share decreased from 8,05 cents to 7,88 cents with diluted earnings per share decreasing from 7,98 cents per share to 7,88 cents per share. The weighted average number of shares in issue during the year was reduced consequent to certain repurchases, from 102,2 million shares to 93,4 million shares.

## DIVIDENDS

During the year the Group maintained its dividend pay-out, declaring both a final dividend for the year ended 31March 2011 of 2,5 cents per share and an interim dividend of 0,5 cents per share for a total payment to shareholders of 3,0 cents per share. Due to the large cash outflows during the year and in order to preserve cash for future growth opportunities, no final dividend in respect of the year ended 31 March 2012 has been recommended.

## SEGMENTAL ANALYSIS

The segmental analysis describes the relative performance of the main operating sectors of the business, including that of Central Services. Revenue in the Human Capital Outsourcing segment grew from an annualised R484,8 million to R552,3 million, while that of the Human Capital Development segment increased from an annualised R47,4 million to R60,8 million. Whilst revenue was up, operating profits for both segments were less than optimal.

Various remedial actions that were implemented have begun to bear fruit and further actions are being actioned to ensure that cost efficiencies are maximised. The Group chose to continue to invest in certain overheads, particularly in the Outsourcing segment, to ensure that service delivery to clients was not compromised and that the division would remain well positioned to benefit from expected changes in the regulatory environment.

### STATEMENT OF FINANCIAL POSITION

The Group's balance sheet was negatively affected by the need to restate prior year results, albeit that the net asset value per share increased from 77 cents per share to 80 cents per share. Gearing increased from 4% to 34% and is now outside the self-imposed 25% limit set for the Group. The increase is largely attributable to the increased investment in working capital as well as the cash outflows relating to investment activities conducted during the year. The Group acquired certain contracts during the year which have been funded through internal cash flows and which have also resulted in the trade receivables showing an increase of R21,7 million although debtors days slipped from 39 days to 45 days. The businesses acquired have led to the investment in goodwill increasing from R12,0 million to R13,3 million as well as the investment in intangible assets increasing from R0,6 million to R3,0 million.

Trade and other payables have increased from R25,1 million to R30,4 million, while interest- bearing financial liabilities have decreased from an aggregate R0,7 million to R0,04 million. The short-term loan relates to the properties acquired (as detailed under Depreciation and Capital Additions on page 18).

The short-term vendor obligation relates to the finalisation of the purchase price due to the vendor of the Sincedisa business and is expected to be settled during the forthcoming year.

### CASH FLOW

Cash flow from operating activities was a negative R7,4 million for the year and is largely attributable to the increase in working capital following the acquisition of contracts. Cash flow attributable to investing activities was R17,0 million and includes cash flows to vendors of R2,8 million, R4,3 million relating to the associate company, R7,6 million which relates to the investment in certain properties and R2,2 million for the purchase of fixed assets. The Group also repurchased R3,0 million of securities. Dividends of R3,1 million were paid during the year.

### CONCLUSION

The financial performance of the Group was disappointing on the basis that anticipated improvements in market conditions did not materialise. The areas which are receiving more focus are sales growth, cost efficiencies and working capital management, and financial controls and reporting.

### ACKNOWLEDGEMENT

Throughout a difficult financial year it was important to place reliance on the Group's financial team. I wish to thank my colleagues for their role in steering the Group in challenging times.

**RAPHAEL SACK**
*Financial Director*

## REVIEW OF OPERATIONS

### PRIMESERV HUMAN CAPITAL DEVELOPMENT

The Human Capital Development segment increased its revenue by 28%, on an annualised basis, from R47,4 million to R60,5 million. The segment's operating loss was reduced from R2,2 million, on an annualised basis, to R1,2 million for the year under review. During the year the decision was made to write off, rather than to provide, for doubtful debts in the Colleges division, a primary contributing factor to the operating loss incurred. The overall gross profit decreased from 71% to 68%, due to a change in the mix of products selected by clients and learners.

The revenue of the HR Solutions division, which incorporates the HR Consulting and Corporate Training and Technical Training units, continued to grow during the year under review, increasing from R22,9 million (annualised) to R26,3 million, an increase of 15%. The gross profit percentage was 82% for the year compared to 63% for the prior year. The division made a profit for the year of R3,4 million compared to a loss of R0,4 million (annualised) for the previous year.

Revenue in the Colleges division increased from R24,5 million (annualised) to R34,4 million. The increase is in large measure due to retaining many non-paying learners in the classrooms in order to encourage payments rather than allowing them to drop-out or abscond and thus have reduced likelihood of payment. The corollary has been an increase in the amount of bad debt provided for. The collection cycle within the division is typically two to three years and often reflects the duration of the courses offered. As part of management's ongoing efforts to expedite collections, a dedicated call centre has been established comprising of more than a dozen agents whose sole purpose is contacting the learners and their sponsors to elicit payment. Operating costs include a significant expenditure in respect of advertising and marketing as part of the programme to attract new learners to the division. The net loss incurred in the Colleges division has been reduced from R4,0 million annualised to R1,3 million for the year under review.

### PRIMESERV HR SOLUTIONS

The HR Solutions division incorporates the HR Consulting and Corporate Training and Technical Training units. The HR Consulting and Corporate Training unit continues to make a positive contribution to the Group and continues to provide important strategic value with the framework for the delivery of Primeserv's Int**HR**grate™ Model.

### HR CONSULTING AND CORPORATE TRAINING

The Corporate Training unit, in association with Primeserv Colleges, focuses on providing learners with credits towards the following qualifications, expanded from the prior year, to include:

- Business Administration (NQF 3 and 4)
- Generic Management (NQF 4 and 5)
- ODETDP (NQF 5)
- Marketing (NQF 4)
- Contract Centre (NQF 2)
- Project Management (NQF 4)
- General Travel (NQF 5)
- Wholesale and Retail Operations (NQF 2 and 3)

The unit is accredited with SSETA, ETDPSETA and has numerous MOUs in place.

DHET accreditation obtained:

- Primeserv Corporate Solutions (Pty) Limited (provisionally registered with DHET Registration Number: 2011/FEE/064)
- Primeserv Training (Pty) Limited (provisionally registered with DHET Registration Number: 2010/FE07/076)

The unit's options for training include:

- Extensive public course schedule, offered on a national basis: structured for small- to medium-size clients, or those unable to release large numbers of learners at one time.
- Customised in-house interventions
- Purchase the programmes/train the trainer and/or license agreements: structures for clients that have built their own internal training and assessment capability.
- Learnerships: structured for clients who are able to offer a workplace site for practical training for employed or unemployed learners.

The unit delivers a full range of HR consulting and corporate training services, in line with Primeserv's IntHRgrate™ Model. Key products and services include:

- HR Strategy: HR strategy development and management, structure and profiles, HR audits, and behavioural and technical assessments.
- Training and Development: learning and development strategy development, workplace skills plans (WSP) and annual training report (ATR) preparation and submission support. Business Administration, Generic Management, personal growth, sales/customer training.
- Performance Management: balanced scorecards, job profiles, performance agreements and performance management training.
- General Consulting Services: maintenance and support for organisational human resource capital, ie climate surveys, policy and procedure development, best operating practices.

During the year under review, the Corporate Training unit trained 3 180 learners (2011: 3 763). The reduction in the number of learners in comparison to the prior year was attributable to learners attending learnerships and learning programmes of longer duration. Attendance on qualification-based training has increased and attendance on short public courses has decreased substantially.

Product spread: ODETDP suite 22%, Business Administration Suite 21%, General Management Suite 42%, Personal Growth Suite 11%, Customer/Sales Suite 3%. Geographical spread: Gauteng/Inland 54%, Western Cape 17%, Eastern Cape 14%, KwaZulu-Natal 16%.

There has been a significant change in the learner profile from the previous year. The expanded national footprint strategy has yielded results with an increase in all coastal regions, now comprising 46% of learners.

The product focus strategy, which included expansion into the wholesale and retail sector, delivered results with 37% of learners attending Wholesale and Retail Operations NQF 2. Learnership attendance has increased by 11% to 386 learners on various learnerships.

The growth of the HR Consulting unit continued throughout the year under review, resulting in increased involvement with client organisations in supporting their business strategy. The key areas of service delivery remain profiling, competency assessment, skills audits and remuneration consulting.

## TECHNICAL TRAINING

The Technical Training unit is accredited with TETA, CETA, HWSETA and DOL, and has various MOUs in place.

Options for training include:

- project management of learnerships;
- design and development of customised course materials; and
- purchase the programme/train the trainer/and/or license agreements for those clients who have built their own internal training and assessment capability.

This unit delivers training focused on skills programmes and/or full qualifications in the following fields:

- Transport-related training to include: heavy plant and equipment, lifting machinery operations, transport and driver training, and the National Certificate in Professional Driving.
- Construction-related training to include: carpentry, community house building, masonry, painting, plumbing, plastering and tiling, multi-skill training, trade preparation, erecting and dismantling scaffolding and working at heights.
- Health and safety-related training to include: health and safety, first aid, fire fighting, risk analysis and evaluation, carbon monoxide, chain saw and felling, and brush cutter.

During the year under review the Technical Training unit trained 10 973 (2011: 28 358) learners. The reduction in the number of learners was mainly attributable to the lifting machinery operations training (two-yearly cycle) which converted from refresher training (1 day) or RPL (3 days) to novice training (5 days) to meet Code of Practice and TETA requirements. In addition, constructing training learners attended short learning programmes of longer duration, between 30, 45 and 60 days.

- **Product spread:** Heavy Plant and Equipment 8%, Lifting Machinery Operations 59%, Driver Training 2%, Health and Safety 29%, Construction Training 2%.
- **Geographical spread:** Gauteng/Inland 73%, Western Cape 13%, Eastern Cape 3%, KwaZulu-Natal 11%.

There has been a significant increase in the learner profile from the previous year. 105 learners attended the Professional Driver 3 learnership. The expanded national footprint strategy generated results with an increase in all coastal regions, now comprising 27% of learners.

The product focus strategy rendered results with the focus on Driver Training, Health and Safety and Construction Training, now comprising 33% of the learners.

The unit continues to work with Primeserv Outsourcing to provide an integrated solution to client organisations in placing and training required outsourced temporary/contract and permanent staff.

## PRIMESERV EMPLOYEE TRAINING ACADEMY (PETA)

Primeserv implemented a strategic imperative through the expansion of its employee training academy to contribute to the up-skilling of full-time and outsourced contracted staff through its Primeserv Outsourcing division, using the Primeserv HR Solutions service delivery capability.

This resulted in a further 99 full-time employees and 226 outsourced contract staff embarking on specialised learnerships, in various stages of completion, during the year.

PETA also facilitates the process of internal up-skilling.

## PRIMESERV COLLEGES

The division's core operating components are the Stanford Business and Computer College, and Working World College brands. These colleges provide a technology-driven learning environment with face to face training and learning interaction and support. The Colleges' primary learner population is made up of historically disadvantaged learners and learners from economically disadvantaged circumstances seeking the skills necessary to enter the formal job market.

The Colleges business has a calendar cycle based on the academic year which runs from January to December. The courses offered range from computer skills to business administration, with different geographic regions, where the unit is represented, having their own unique mix of programmes. Course durations vary between three and twenty-four months. The peak registration period is between January and March each year, with a small intake in June/July. As the learner numbers and mix of courses differ quite significantly from year to year, it has always been a challenging exercise to allocate resources in the most optimal manner. Moreover, the allocation of these resources needs to be completed before learner numbers are even finalised. Nevertheless, the key criteria for the success of any individual campus has been the number of learners registered combined with the number of courses selected. In recent years learner registrations have fallen below expectation and a thorough review of the business has been necessitated. Learner registrations for the year under review were once again unsatisfactory. This is clearly evident from the results of the division as a whole which have delivered a loss for the year. The difficulties encountered operationally are exacerbated by the harsh economic circumstances in which many of the learners and their sponsors find themselves. While every effort is made to ensure that learners continue with their courses, the nature of the market is such that drop-out rates are high leading to increasing levels of doubtful debt. Management has recognised these challenges and various initiatives have been undertaken to stem the rate of non-payment. A number of payment incentive programmes are in place to encourage a culture of payment. Moreover, a dedicated call centre has been established that has as its single focus debt collection. Staffed by a team of more than a dozen agents that operate in a series of shifts, the call centre is able to enhance the level of collections. The collection cycles in the business are quite lengthy, taking up to three years before accounts are fully paid. The risk inherent in these cycles is intrinsic to the business which is why a conservative approach to collectability is taken and is the reason for significant debtor provisions being made each year.

There are continual operational reviews to ensure that expenses are tightly controlled without in any way compromising the delivery of the courses to the learners. Academic standards are maintained under the auspices of a Director of Academics who ensures that the division complies with the relevant legislation and regulations governing FET colleges. Offerings include CompTIA and Microsoft courses, both of which have international accreditation as well as business-related courses from the London Chamber of Commerce International. Teaching also encompasses locally developed courses. All of these justify the unit's reputation as a provider of quality education and skills which can be readily utilised in the South African job market. In addition to face-to-face learning, the division also offers a number of distance learning products. Full details of the courses offered as well as the relevant accreditation is available from the website www.stanfordcolleges.co.za.

## PRIMESERV HUMAN CAPITAL OUTSOURCING

Revenue for the Outsourcing division increased by 14% from R484,8 million (annualised) to R552,3 million. Operating profit decreased from an annualised R13,3 million to R10,4 million. The division remains affected by the lacklustre economic environment, a high fixed cost base, and continuing pressures on margins. Results for the associate company, Bathusi Staffing Services (Pty) Limited has remained poor with revenue decreasing from an annualised R51,4 million to R32,3 million. Interest received increased from R0,1 million (annualised) to R1,5 million. Interest paid increased from R3,2 million to R3,9 million.

The results of the division have been affected by a restatement arising from an error that was discovered when the final phase of the implementation of the division's integrated accounting and payroll system was completed. It was identified that the previously required manual integration of the payroll information into the accounting system had resulted in an overstatement of gross profit margins, and thereby gross profits, affecting a specific geographic region of the division in which the new system had not yet been implemented. The new system integrates directly from the payroll system into the accounting system and thus eliminates the potential for a similar error.

During the year the Group started a specialised financial services permanent recruitment business and incurred certain start-up costs in the process of establishing the operation. This permanent recruitment unit started trading late in the financial year and generated insignificant revenue for the period. The unit is anticipated to achieve improved revenue growth in the forthcoming year, leveraging off the Group's existing client base as well as through new clients.

The operating environment was challenging. Job erosion rather than job creation across the sectors in which the division operated was experienced. Many businesses served by the division reduced their headcount. There was an element of "fence sitting" with regard to staffing levels and new employment of permanent and temporary staff due to economic pressures and the exacerbating effects of the long-standing debate and uncertainty regarding the future of temporary employment services.

The Outsourcing division's performance was further muted due to a combination of cost pressures resulting from its high fixed cost base, lower than targeted new sales growth and margin pressure on certain contracts. High fixed costs were a function of maintaining the national capability and capacity needed to meet anticipated future demand for the division's services. Given the depth of skill and experience invested in the division, it was decided not to reduce these costs as a short-term response to a weak trading environment and to the uncertainty prevailing around the labour broking industry. Having taken the view that regulation rather than banning the labour broking industry would ultimately prevail and that this would be positive for the labour market and larger reputable staffing service providers such as Primeserv, not only was existing capability and capacity maintained but investment in added infrastructure and service delivery extension was also made.

The division's "white collar" professional engineering and draughting unit delivered a flat operating performance, as a consequence of no new projects or major infrastructure work driving demand. Headcount remained stable. Good working capital management was a feature of the unit's performance.

The wage bureau unit delivered a small operating loss due to lower than projected worker numbers on its COEGA contract. No new projects were signed during the year.

Trading in the division's "blue collar" operating unit, specialising in flexible staffing services to the logistics, warehousing and distribution markets, was satisfactory. The unit maintained its position as a market leading supplier of staffing services to this sector. Performance in the unit servicing general manufacturing, heavy industry and construction was erratic and unpredictable. Manpower demand across all skills levels was patchy. Performance was further dampened by some margin erosion and weaker than targeted working capital management.

The Group has continued with the roll-out of its national learnership programme, particularly in regard to external learnerships. In line with the Interpretation Note issued by SARS and particularly as the Group is in a taxpaying position in most operating subsidiaries, the Group has adopted a conservative approach in its recognition of the benefits of tax allowances for learnerships and only recognises the allowances based upon the degree of completion of the learnerships. Accordingly the benefits realised by virtue of these allowances will be recognised in later tax years than initially anticipated.

The Outsourcing division has extensive specialised expertise across a broad range of business enterprise and industry, spanning a multitude of job categories and bands, with thousands of contract staff operational on a day-to-day basis. Service delivery is supported by experienced industry sector specific staff utilising customised information technology and management information systems, whilst having access to a proprietary database of fully screened unskilled, semi-skilled and skilled, blue collar white collar and professional personnel.

Primeserv Outsourcing remains well positioned to leverage its strong market position as a customer centric service provider of choice. Solid BBBEE credentials, a growing brand awareness, and a tried and tested national infrastructure with a full service integrated HR capability and capacity are key to proactively meeting and embracing the impending new labour legislation in a manner that will benefit both its clients and the contract workers employed.

The Board and its individual directors are committed to the values of transparency, integrity, responsibility and accountability in maintaining the highest standards of corporate governance, including ensuring that the Group is, and is seen to be, a responsible corporate citizen. They accept their duty to ensure that the principles set out in the King Report of Corporate Governance for South Africa – 2009 (King III) are implemented. This report has been prepared in line with these principles on an 'apply' or 'explain' basis.

The Board reports specifically on the following:

## ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

### Code of ethics and corporate conduct

The Group's Code of Ethics and Corporate Conduct has been designed to ensure good business practice. It is complemented by the Primeserv Pledge, which encourages all Primeserv employees to:

- demonstrate integrity in everything they do
- work together to achieve common goals
- celebrate innovation and cherish performance
- perform with professionalism, skill and care
- exceed customers' expectations every day

The Code of Ethics and Corporate Conduct defines the spirit in which the Group conducts business, describes the Group's responsibilities to its stakeholders and outlines both acceptable and unacceptable practice. The directors are confident that the ethical standards of the Group are being adhered to.

All decisions and actions of the Board and executive management are based on four basic ethical values that underpin good corporate governance:

*Responsibility* – the Board assumes responsibility for the assets and actions of the Company and corrective actions are taken, if required, to keep the Company on its strategic path;

*Accountability* – the Board ensures that it is able to justify its decisions and actions to shareholders and other stakeholders who require it to do so;

*Fairness* – fair consideration is given to the interests of all stakeholders of the Company by the Board; and

*Transparency* – information is disclosed by the Board in such a manner that it enables shareholders to make an informed analysis of the Company's performance.

The Board embraces the ethics of governance.

## BOARDS AND DIRECTORS

### The Board of Directors

The Board comprises four independent non-executive directors, one non-executive and three executive directors and is chaired by JM Judin. The Group has not performed a formal assessment of the Chairman, but has knowledge of and recognises his involvement in various bodies that together provide the Board with a level of assurance regarding his continuing suitability for the role, as well as taking into consideration the contributions made during the course of Board meetings together with the advice and support provided between meetings. The Board does not consider the Chairman to be in any way compromised by other directorships and chairmanships held. No succession plan is in place albeit that the Board has sufficient depth to facilitate a transition, should the need arise.

The Board meets regularly and retains full and effective control over the Group. The roles of Chairman and Chief Executive Officer are separated in line with the recommendations of the King III Report and JSE regulations and the Chairman is an independent non-executive director.

The Board 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. Full details of the Board of Directors are set out on page 8.

The Board ensures that there is an appropriate balance of power and authority among its members so that no one individual or group of individuals can dominate the Board's decision-making process.

The Board consists of a mix of executive, non-executive and independent non-executive directors. 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 of matters requiring the Board's attention. The independence of independent non-executive directors is assessed annually by the Board. The assessment of independence is based on submissions by the individual director who is expected to demonstrate intellectual integrity in this self-assessment. The Board also considers empirical information including the extent, if any, of the director's interest in the business in terms of direct or indirect shareholding and/or an interest in a contract with the Company. Where practicable to do so, the Board will assess the materiality of the director's interest, but considers that amounts constituting less than 5% are immaterial.

The Board defines levels of materiality, reserving specific powers to itself and delegating other matters with the necessary authority to management. A process of control enables the Board to assess and mitigate risks and directs the attainment of the Group's objectives. This environment sets the tone for the Group, embracing ethics and values, organisational philosophy and employee competence. The Board is particular regarding actual or perceived conflicts of interest with disclosure required at each and every Board meeting. As a company listed on the JSE, the Company has implemented a policy that governs dealing in the Company's shares by directors and senior officers.

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 Company information, records, documents and property. All directors have access to the advice and services of the Company Secretary and where they deem it necessary, directors may obtain independent professional advice at the Group's expense. This enhances the Board's decision-making capability and the accuracy of its reporting.

The Board actively participates in the process of strategy development and is not a mere recipient of a strategy proposed by management. The directors appreciate that strategy, risk, performance and sustainability are inseparable. The Board considers not only the financial performance of the Group, but also the possible impact of its various operations on society and the environment whilst always ensuring compliance with the Constitution and laws of the country. Furthermore, the Board ensures that measurable and effective corporate citizenship programmes are developed and that these programmes are implemented by management. The Board recognises that, ultimately, a sustainable company is dependent on a cohesive strategy that embraces not only financial performance, but also includes strategies that embody risk and the environment.

The Board operates according to a Board Charter, which is available on request.

The Board delegates certain functions to well-structured committees without abdicating its own responsibility. Board committee charters define the purposes, authority and responsibility of the various Board committees and have been developed for the:

- Board of Directors;
- Audit, Governance and Risk Committee;
- Remuneration and Nomination Committee; and
- Transformation Committee.

**Company secretary**

The Board has access to a professional company secretarial service whose representative is not a director of the Board. A number of the usual responsibilities of the Company Secretary are attended to by the Financial Director and/or the Group Commercial Director. The Company Secretary is expected to provide guidance on matters relating to the Companies Act, 2008 as well as other pertinent laws and regulations.

**The Audit Governance and Risk Committee**

The Report of the Audit, Governance and Risk Committee is set out on pages 57 and 58.

**The Remuneration and Nomination Committee**

The Remuneration and Nomination Committee ensures that the Group's remuneration structures adequately attract and retain talented individuals who can make a contribution to the Group's sustainability. It recommends compensation strategies, policies and remuneration packages which support the Group's strategic objectives and rewards employees for their contribution to the operating and financial performance of the organisation in relation to performance criteria.

The Remuneration Committee operates in terms of a charter approved by the Board. The Board will, in some instances, refer matters to shareholders for approval; for example, new and amended share-based incentive schemes and non-executive directors' fees. The Board accepted the recommendations made by the Committee during the year.

***Membership***

The Remuneration and Nomination Committee comprises JM Judin (Chairman) and LM Maisela. Both members of the Committee are non-executive directors.

The Committee met twice during the 2012 reporting period. The Chief Executive Officer attends the Committee meetings by invitation and assists the Committee in its deliberations, except when issues relating to his own compensation are discussed. No director is involved in deciding his or her own remuneration.

***Nomination***

The Committee is responsible for ensuring that nominees to the Board are not disqualified from being directors and, prior to their appointment, investigates their backgrounds according to the recommendations required for listed companies by the JSE. Executive directors have service contracts and restraint agreements, where applicable, which have been signed by the relevant executive directors.

The Committee annually reviews the Board's required mix of skills, experience and other qualities to assess the effectiveness of the Board, its committees and the contribution of each director. Executive directors are appointed on the basis of their skills, experience and level of contribution to and impact on the Group's activities.

Non-executive directors are selected on the basis of industry knowledge and their professional skills and experience to enhance organisational decision-making.

The Social and Ethics Committee, in terms of its charter, may also make recommendations to the Remuneration and Nomination Committee of candidates that it believes will not only be suitably qualified and assets to the Board, but will also further the transformation of the Group.

All directors, unless they have fixed term employment contracts, are subject to election by shareholders, retire by staggered rotation and stand for re-election in accordance with the Company's Memorandum of Incorporation. At least one-third of the directors who do not have fixed term employment contracts with the Company retire by rotation at the Company's annual general meeting.

The names of directors submitted for election or re-election are accompanied by sufficient biographical information to enable shareholders to make an informed decision in respect of their election.

Whilst non-executive directors' appointments are not formalised through letters of appointment, the Board believes that the rigorous review of candidates provides sufficient evidence to support the appointment. Any changes to the Board are published on the JSE's SENS. The Group is in the process of formulating an induction programme for all new directors that takes into consideration their individual experience, skills and requirements.

A summary of the Group's remuneration policy is set out on pages 48 and 49.

**Social and Ethics Committee**

During the year the Transformation Committee was renamed the Social and Ethics Committee with its membership being LM Maisela (Chairman), CS Shiceka and M Abel.

Informal meetings were held during the review period to address transformation in the Group.

The Committee assists the Board in ensuring that there are appropriate strategies and policies in place to progress transformation.

The Committee seeks to address any and all issues pertaining to the transformation of the Group into an organisation that is not only relevant in the context of a democratic South Africa, but also to ensure that the composition of the Group is fully representative of the cultural landscape that is prevalent in the country. Its role is not to redress the imbalances that exist in society per se, 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, measures, including affirmative action, that do not detract from the organisation's long-term goal of delivering sustainable returns to all shareholders and stakeholders alike. The statutory duties and responsibilities of the reconstituted Committee, as contemplated in Regulation 43(5) of the Companies Act no 71 of 2008, as amended, will be to monitor the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice.

### AUDIT COMMITTEE

The Committee has terms of reference set out in an Audit, Governance and Risk Committee Charter, that is compliant with applicable legislation and is available on request. The Charter includes the specific requirements as set out in the Companies Act, as amended, and the King III Code of Governance for South Africa 2009 pertaining to auditors and audit committees. Amendments to the Charter, in compliance with legislative amendments and other governing codes and principles, are approved by the Board.

The Audit, Governance and Risk Committee is responsible for:

- developing and maintaining effective systems of internal control;
- reviewing the need for and monitoring the function of an internal audit discipline;
- safeguarding the Group's assets;
- maintaining adequate financial reporting systems;
- evaluating and defining the levels of risk appropriate and acceptable to the Group;
- the reliability and accuracy of financial information provided to shareholders and other users of financial information;
- the appointment of external and, where deemed necessary, internal auditors;
- assessing the relevance, impact and resolution of accounting or auditing issues identified by external auditors;
- the Group's compliance with legal and regulatory provisions including stock exchange requirements;
- the Group's Memorandum of Incorporation;
- the Code of Conduct; and
- the by-laws and rules established by the Board;

The Board in liaison with the executive directors and senior management, determines risk strategy based on the need to identify, assess, manage and monitor all known forms of risk across the Group. The Audit, Governance and Risk Committee has been appointed to assist the Board in reviewing both the risk management process and significant risks facing the Group.

Management is accountable to the Board for designing, implementing and monitoring the processes of risk management and for integrating them into the daily activities of the Group.

The Board determines the Group's tolerance or appetite for risk. The Audit, Governance and Risk Committee is responsible for ensuring that the Group has an effective, ongoing process to identify and assess risk and then implements what is necessary to manage these risks proactively.

The Committee meets with the Chief Executive Officer, Financial Director and other senior executives/managers (when and if required), as well as the external auditors, to discuss issues of accounting, auditing, internal controls, financial reporting and corporate governance.

### ATTENDANCE AT MEETINGS

The number of meetings attended by each of the directors of the Company and members of Committees during the period 1 April 2011 to 31 March 2012 is as follows, with the number in brackets reflecting the number of meetings held, whilst the director was in office.

| BOARD | |
|---|---|
| JM Judin (Chairman) | 3 (3) |
| M Abel | 3 (3) |
| S Klein | 3 (3) |
| LM Maisela | 3 (3) |
| AT McMillan # | 3 (3) |
| DL Rose | 3 (3) |
| R Sack | 3 (3) |
| DC Seaton | 3 (3) |
| CS Shiceka | 2 (3) |
| **AUDIT, GOVERNANCE AND RISK COMMITTEE** | |
| DL Rose (Chairman) | 3 (3) |
| S Klein | 3 (3) |
| CS Shiceka | 3 (3) |
| M Abel * | 3 (3) |
| AT McMillan *# | 1 (3) |
| R Sack * | 3 (3) |
| DC Seaton * | 3 (3) |
| **REMUNERATION AND NOMINATION COMMITTEE** | |
| JM Judin (Chairman) | 2 (2) |
| LM Maisela | 2 (2) |
| M Abel* | 2 (2) |

* By invitation

\# Resigned 29 June 2012

## THE GOVERNANCE OF RISK

The identification of risks and opportunities is robust, systematic and involves every level of the organisation. A comprehensive risk management policy is entrenched throughout the Group.

The Audit, Governance and Risk Committee monitors the progress of the implementation of the processes below. A comprehensive risk register is maintained and updated as a standing item on the Committee's agenda, with written submissions and presentations being done by management at least annually.

Risk management processes include:

- overseeing the development and annual review of a policy and plan for risk management to recommend for approval to the Board;
- monitoring the implementation of the policy and plan for risk management occurring through risk management systems and processes;
- making recommendations to the Board concerning the levels of tolerance and appetite for risk and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board;
- oversight to ensure that the risk management plan is widely disseminated throughout the Group and integrated in the day-to-day activities of the Group;
- ensuring that risk management assessments are performed on a continuous basis;
- ensuring that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- ensuring that management considers and implements appropriate risk responses;
- ensuring that continuous risk monitoring by management takes place;
- expressing a formal opinion to the Board on the effectiveness of the system and process of risk management; and
- reviewing reporting concerning risk management that is to be included in the Integrated Report and that it is timely, comprehensive and relevant.

### Insurance

The operating assets, including various assets owned by lessors, have been insured at replacement value. The Group performs credit evaluations on its clients and where available and cost-effective, utilises credit insurance.

Key-man policies cover key executives, where possible, and liability cover is taken out for fidelity, directors' liability, loss of profits, political risk as well as general and professional liability. The Group reviews its insurances at least annually and as required in line with its risk-averse approach to insurable matters.

## THE GOVERNANCE OF INFORMATION TECHNOLOGY

The Board recognises the important role that information technology (IT) governance plays in the management of risks and the achievement of Group objectives. An IT governance framework for the Group is currently being developed, which provides management with an IT governance model that helps in delivering value from IT and understanding and managing the risks associated with IT. The framework will also help bridge the gaps between business requirements, control needs and technical issues and is a control model to meet the needs of IT governance and ensure the integrity of information and information systems.

Implementation is a phased process, which commenced in the 2012 financial year and which will be broadened in the 2013 financial year, to include:

- strategic leadership for IT by aligning IT strategic objectives and activities with enterprise strategic objectives and processes;
- prioritising IT project initiatives and delivery of IT investment recommendations for Board approval;
- ensuring that sufficient organisational capability exists to enable the processes within its scope to perform and deliver the results expected by the business;
- support of the IT process owner's endeavours to achieve the outcomes expected and to periodically evaluate performance and monitor remedial actions to remedy instances of poor performance;
- identify suitable criteria to be used for decision-making within the processes;
- open communication between the IT department and the other business units to promote collaborative planning; and
- annual IT assurance statement on key IT projects and performance metrics.

The Board considered the establishment of an IT Steering Committee to assist the Board in its responsibility for IT governance. In the event, the establishment of such a Committee was deemed unnecessary, especially as the roll-out of new payroll and accounting packages has recently been completed and the technology remains current. There is therefore little likelihood of any major IT projects being undertaken and certainly none that would warrant Board attention. IT will continue to be reported as a standing item as part of the Heat Risk Map process.

## COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The legislative framework within which Primeserv operates has become increasingly complex. Amendments to existing laws, new laws and pending Bills have to be tracked and continuously assessed to ensure compliance. Business processes have to be aligned to ensure compliance.

### Legislation

Primeserv has focused on the Consumer Protection Act and the new Companies Act. The proposed changes in labour legislation are of particular importance to Primeserv as three of the four Bills propose changes to existing labour laws: the Labour Relations Act, the Basic Conditions of Employment Act and the Employment Equity Act. The fourth labour Bill, the Employment Services Bill is new.

The new labour legislation is still in draft form and current wisdom indicates that large sections will be referred back for redrafting.

### Consumer Protection Act

This Act aims to promote a fair, accessible and sustainable marketplace for consumer products and services. The Act will entrench national norms and standards on consumer protection and provide for improved standards of consumer information. The Act prohibits certain unfair marketing and business practices and promotes responsible consumer behaviour.

The Group has reviewed and taken advice in regard to the provisions of the Consumer Protection Act and the directors are of the view that in the Outsourcing, Corporate Training and HR Consulting divisions the Group in general deals only with consumers whose turnover and/or gross asset value, exceeds the threshold amount.

In those business areas where the Group deals with consumers who are not excluded by virtue of the above, the directors are satisfied that the goods and services of the Group are not advertised, marketed or sold in a manner which is discriminatory, unfair or inequitable, fraudulent or otherwise and do not contravene the provisions of the Act.

### New Companies Act

The Act aims to simplify the registration of companies, encourage entrepreneurship and high standards of corporate governance, balance the rights and obligations of shareholders and directors, and promote the efficient and responsible management of a Company. It also provides for increased liabilities for directors for breaches of fiduciary duty or for any direct or indirect loss, damage or costs sustained by the Company as a result.

Primeserv's Memorandum of Incorporation, as well as its specific reference to shareholders' agreements and the actual agreements, is currently being reviewed to align it with the requirements of the new Companies Act.

### Insider trading

In terms of Group 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 upon such information. The Board has determined certain embargo periods during which directors and other senior management officials of the Group may not deal directly or indirectly in Primeserv Group Limited shares. These include the period from 31 March to the publication of the year-end results and from 30 September to the publication of the interim results and any period during which a transaction, which it is anticipated is reasonably likely to be concluded, is being negotiated, if the information relating thereto constitutes inside information and may be considered price-sensitive.

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 Chief Executive Officer.

## INTERNAL AUDIT

### Accountability and Audit

*Solvency and liquidity*

The directors have no reason to believe that the Company and the Group will not be solvent and liquid in the year ahead. Accordingly, the financial statements are prepared on the going concern basis.

At the interim reporting stage, directors reconsider their solvency and liquidity assessment of the Group as a going concern and determine whether or not any of the significant factors in the assessment have changed to the extent that the appropriateness of the going concern assumption has been affected.

The Board of Primeserv regards the Group as a going concern as asserted in the following summary:

- the Group's combined operations are expected to remain profitable in the financial year to March 2013;
- working capital remains well controlled and receivables are of sound quality;
- the Group has sufficient borrowing capacity in terms of its existing facilities;
- the Group has no need to dispose of any assets or undertake a capital restructuring;
- key executive management is in place and performance management processes are applied;
- the Group is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business; and
- the Group is monitoring and responding proactively to the spirit and terms of changes in legislation and BBBEE initiatives.

### Auditing

The Board is of the opinion that 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 for efficient audit processes using its external auditors in combination with the Group's internal controls.

### Taxation

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.

### Internal control

The directors aim to ensure that internal control systems exist to provide reasonable assurance regarding the safeguarding of assets and the prevention of their unauthorised use or disposition, 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 to achieve business objectives and can provide reasonable, not 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.

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 review, internal audit check and external audit.

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

### Internal audit

Given its size and the internal controls within the organisation, the cost-benefit ratio of the establishment of a permanent internal audit function is not viewed by the Board as warranted.

## GOVERNING STAKEHOLDER RELATIONSHIPS

### Relations with stakeholders

The Board accepts its duty to present a balanced and understandable assessment of the Group's position in 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 all shareholders and relevant stakeholders with a legitimate interest in the Group's activities can obtain a full, fair and honest account of its performance.

Primeserv is currently developing a stakeholder engagement policy, which will align the Group's engagement with its stakeholders with the King III principles of:

- the Board:
  - acknowledging that stakeholders' perceptions affect the Company's reputation;
  - delegating responsibility to management to proactively deal with stakeholder relationships;
  - striving to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company; and
  - ensuring that disputes are resolved as effectively, efficiently and expeditiously as possible;
- the Company ensuring the equitable treatment of shareholders; and
- transparent and effective communication with stakeholders being essential for building and maintaining stakeholders' trust and confidence.
- The Board has identified the following key stakeholders of the Group, being:
  - Shareholders
  - Customers
  - Employees
  - Communities
  - Government and industry bodies

Details of the Group's engagement with these stakeholders are outlined on page 9.

Deloitte & Touche Sponsor Services (Pty) Limited acts as Primeserv's sponsor in compliance with the JSE Listings Requirements.

### Annual general meeting

The agenda for the annual general meeting is set by the Company Secretary and communicated to all shareholders in the notice of the annual general meeting, which accompanies the Integrated Annual Report. Consequently, the notice of the annual general meeting is distributed well in advance of the meeting and affords all shareholders sufficient time to acquaint themselves with the effects of any proposed resolutions. Adequate time is also provided by the Chairman in the annual general meeting for the discussion of any proposed special resolutions. The conduct of a poll to decide on any proposed resolutions is controlled by the Chairman at the meeting and takes account of the votes of all shareholders, whether present in person or by proxy. A proxy form is included in the annual report for this purpose.

The Group recognises the importance of its shareholders' attendance at its annual general meeting.

The designated auditor of the Group attends the annual general meeting to respond to any questions relevant to the audit of the financial statements.

All meeting participants are required to provide identification reasonably satisfactory to the chairman of the meeting. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

Shareholders who wish to participate in the annual general meeting by way of electronic participation should make application in writing to so participate to the transfer secretaries. The Company reserves the right to elect not to provide for electronic participation in the event that it determines that it is not practical to do so. The cost of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation. Shareholders are advised that participation in the annual general meeting by electronic participation will not entitle a shareholder to vote.

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

## 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.

**A detailed gap analysis referencing each principle of King III appears on pages 29 to 47 .**

## KING III GAP ANALYSIS

### 1. ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

**King III Principle 1.1 – The board should provide effective leadership based on an ethical foundation**

*Responsible leadership*

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| | Ethical leaders should: | |
| 1.1.1 | direct the strategy and operations to build a sustainable business; | Applied. |
| 1.1.2 | consider the short- and long-term impacts of the strategy on the economy, society and the environment; | Applied. |
| 1.1.3 | do business ethically; | Applied. |
| 1.1.4 | not compromise the natural environment; and | Applied. |
| 1.1.5 | take account of the company's impact on internal and external stakeholders. | Applied. |

*The board's responsibilities*

| | | |
|---|---|---|
| | The board should: | |
| 1.1.6 | be responsible for the strategic direction of the company and for the control of the company; | Applied. |
| 1.1.7 | set the values to which the company will adhere formulated in its code of conduct; | Applied. |
| 1.1.8 | ensure that its conduct and that of management aligns to the values and is adhered to in all aspects of its business; and | Applied. |
| 1.1.9 | promote the stakeholder-inclusive approach of governance. | Applied. |

*Ethical foundation*

| | | |
|---|---|---|
| | The board should: | |
| 1.1.10 | ensure that all deliberations, decisions and actions are based on the four values underpinning good governance; and | Applied. |
| 1.1.11 | ensure that each director adheres to the duties of a director. | Applied. |

**King III Principle 1.2 – The board should ensure the company is and is seen to be a responsible corporate citizen**

| | | |
|---|---|---|
| | The board should: | |
| 1.2.1 | consider not only on financial performance but also the impact of the company's operations on society and the environment; | The Group's operations do not pose a risk to the environment and therefore the impact of operations on the environment has not been measured, as it is considered to be immaterial. |
| 1.2.2 | protect, enhance and invest in the well being of the economy, society and the environment; | Primeserv is proud of the direct and indirect contributions it makes and especially the CSI initiatives. |
| 1.2.3 | ensure that the company's performance and interactions with stakeholders is guided by the Constitution and the Bill of Rights; | The Board is particular about corporate governance and compliance with legislation with these matters being part of the standing agenda. |
| 1.2.4 | ensure that collaborative efforts with stakeholders are embarked upon to promote ethical conduct and good corporate citizenship; | The Group has a documented Code of Ethics that defines the conduct expected. |

King III Principle 1.2 – The board should ensure the company is and is seen to be a responsible corporate citizen (continued)

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 1.2.5 | ensure that measurable corporate citizenship programmes are implemented; and | Corporate citizenship is addressed as part of the staff induction programmes conducted for all new employees. |
| 1.2.6 | ensure that management develops corporate citizenship policies. | As above. |

King III Principle 1.3 – The board should ensure that the company's ethics are managed effectively

| | | |
|---|---|---|
| | The board should ensure that: | The Group has a documented Code of Ethics that defines the conduct expected. |
| 1.3.1 | it builds and sustains an ethical corporate and ethical culture in the company; | Applied. |
| 1.3.2 | it determines the ethical standards which should be clearly articulated and ensures that the company takes measures to achieve adherence to them in all aspects of the business; | Applied. |
| 1.3.3 | adherence to ethical standards is measured; | Applied. |
| 1.3.4 | internal and external ethics performance is aligned around the same ethical standards; | Applied. |
| 1.3.5 | ethical risks and opportunities are incorporated in the risk management process; | Applied. |
| 1.3.6 | a code of conduct and ethics-related policies are implemented; | Applied. |
| 1.3.7 | compliance with the code of conduct is integrated in the operations of the company; and | Applied. |
| 1.3.8 | the company's ethics performance should be assessed, monitored, reported and disclosed. | Partially applied. |

## 2. BOARDS AND DIRECTORS

King III Principle 2.1 – The board should act as the focal point for and custodian of corporate governance

*Roles and function of the board*

| | | |
|---|---|---|
| | The board should: | The Board deals with corporate governance on a regular basis. |
| 2.1.1 | have a charter setting out its responsibilities; | The Board has a charter. |
| 2.1.2 | meet at least four times per year; | During the 2012 financial year the Board only met three times. |
| 2.1.3 | monitor the relationship between management and the stakeholders of the company; and | Applied. |
| 2.1.4 | ensure that the company survives and thrives. | Applied. |

King III Principle 2.2 – The Board should appreciate that strategy, risk, performance and sustainability are inseparable

| | | |
|---|---|---|
| | The board should: | |
| 2.2.1 | inform and approve the strategy; | Applied. |
| 2.2.2 | ensure that strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate interests and expectations of its stakeholders; | Applied. |
| 2.2.3 | satisfy itself that the strategy and business plans are not encumbered by risks that have not been thoroughly examined by management; and | Applied. |
| 2.2.4 | ensure that the strategy will result in sustainable outcomes taking account of people, planet and profit. | A dedicated meeting addressing the Group's strategy and budgets is held at least once every year. |

King III Principle 2.3 – The board should provide effective leadership based on an ethical foundation
Refer to principle 1.1.

King III Principle 2.4 – The board should ensure that the company is and is seen to be a responsible corporate citizen
Refer to principle 1.2.

**King III Principle 2.5 – The board should ensure that the company's ethics are managed effectively**
Refer to principle 1.3.

**King III Principle 2.6 – The board should ensure that the company has an effective and independent audit committee**
Refer to chapter 3.

**King III Principle 2.7 – The board should be responsible for the governance of risk**
Refer to chapter 4.

**King III Principle 2.8 – The board should be responsible for information technology (IT) governance**
Refer to chapter 5.

**King III Principle 2.9 – The board should ensure that the company complies with applicable laws and consider adherence to non-binding rules, codes and standards**
Refer to chapter 6.

**King III Principle 2.10 – The board should ensure that there is an effective risk-based internal audit**
Refer to chapter 7.

**King III Principle 2.11 – The board should appreciate that stakeholders' perceptions affect a company's reputation**
Refer to chapter 8.

**King III Principle 2.12 – The board should ensure the integrity of the company's integrated report**
Refer to chapter 9.

**King III Principle 2.13 – The board should report on the effectiveness of the company's system of internal controls**
Refer to chapters 7 and 9.

**King III Principle 2.14 – The board and its directors should act in the best interest of the company**

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 2.14.1 | The board must act in the best interest of the company. | Applied. |
| 2.14.2 | Directors must adhere to the legal standards of conduct. | Applied. |
| 2.14.3 | Directors of the board should be permitted to take independent advice in connection with their duties following an agreed procedure. | Applied. |
| 2.14.4 | Real or perceived conflicts should be disclosed to the board and managed. | Applied. |
| 2.14.5 | Listed companies should have a policy regarding dealing in securities by directors, officers and selected employees. | Applied. |

**King III Principle 2.15 – The board should consider business rescue proceedings or other turnaround mechanism as soon as the company is financially distressed as defined in the Act**

| | | |
|---|---|---|
| | The board should ensure that: | |
| 2.15.1 | the solvency and liquidity of the company is continuously monitored; | Applied. |
| 2.15.2 | its consideration is fair to save a financially distressed company either by way of workouts, sale, merger, amalgamation, compromise with creditors or business rescue; | Not applicable. |
| 2.15.3 | a suitable practitioner is appointed if business rescue is adopted; and | Not applicable. |
| 2.15.4 | the practitioner furnishes security for the value of the assets of the company. | Not applicable. |

**King III Principle 2.16 – The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of the chairman of the board**

| | | |
|---|---|---|
| | The board should ensure that: | The roles of Chairman and CEO are split. The Chairman is an independent non-executive director. |
| 2.16.1 | The members of the board should elect a chairman on an annual basis. | Applied. |
| 2.16.2 | The chairman should be independent and free of conflict upon appointment. | Applied. |

King III Principle 2.16 – The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of the chairman of the board (continued)

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 2.16.3 | A lead independent director should be appointed in the case where an executive chairman is appointed or where the chairman is not independent or conflicted. | Not applicable. |
| 2.16.4 | The appointment of the chairman, who is not independent, should be justified in the integrated report. | Not applicable. |
| 2.16.5 | The role of the chairman should be formalised. | Applied. |
| 2.16.6 | The chairman's ability to add value, and his performance against what is expected of his role and function, should be assessed every year. | The Chairman is an honorary member of the Institute of Directors as well as being a lecturer on the JSE Alt[x] Directors' Induction Programme. This evidences his ability to add value to the Group, especially insofar as corporate governance is concerned. |
| 2.16.7 | The CEO should not become the chairman until three years have lapsed. | Not applicable. |
| 2.16.8 | The chairman together with the board should consider the number of outside chairmanships held. | Applied. |
| 2.16.9 | The board should ensure a succession plan for the role of the chairman. | No succession plan has been formalised albeit that there are other non-executives with sufficient skills and knowledge that could be appointed to the role should the need arise. |

King III Principle 2.17 – The board should appoint the chief executive officer and establish a framework for the delegation of authority

| | | |
|---|---|---|
| | The board should: | |
| 2.17.1 | appoint the CEO; | Applied. |
| 2.17.2 | provide input regarding senior management appointments; | Applied. |
| 2.17.3 | define its own level of materiality and approve a delegation of authority framework; | Applied. |
| 2.17.4 | ensure that the role and function of the CEO is formalised and the performance is evaluated against the criteria specified; and | Applied. |
| 2.17.5 | ensure succession planning for the CEO and other senior executives and officers is in place. | As part of the continual risk review, succession matters are addressed. |

King III Principle 2.18 – The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent

| | | |
|---|---|---|
| 2.18.1 | The majority of board members should be non-executive directors. | Applied. |
| 2.18.2 | The majority of the non-executive directors should be independent. | Applied. |
| 2.18.3 | When determining the number of directors serving on the board, the knowledge, skills and resources required for conducting the business of the board should be considered. | Applied. |
| 2.18.4 | Every board should consider whether its size, diversity and demographics make it effective. | Applied. |
| 2.18.5 | Every board should have a minimum of two executive directors of which one should be the CEO and the other the director responsible for finance. | Applied. |
| 2.18.6 | At least one third of the non-executive directors should rotate every year. | Applied. |
| 2.18.7 | The board, through its nomination committee, should recommend the eligibility of prospective directors. | Applied. |

King III Principle 2.18 – The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent (continued)

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 2.18.8 | Any independent non-executive directors serving more than 9 years should be subjected to a rigorous review of his independence and performance by the board. | Applied. |
| 2.18.9 | The board should include a statement in the integrated report regarding the assessment of the independence of the independent non-executive directors. | Applied. |
| 2.18.10 | The board should be permitted to remove any director without shareholder approval. | Applied. |

King III Principle 2.19 – Directors should be appointed through a formal process

*Board appointment process*

| | | |
|---|---|---|
| 2.19.1 | A nomination committee should assist with the process of identifying suitable members of the board. | Applied. |
| 2.19.2 | Background and reference checks should be performed before the nomination and appointment of directors. | Applied. |
| 2.19.3 | The appointment of non-executives directors should be formalised through a letter of appointment. | No new appointments. |
| 2.19.4 | The board should make full disclosure regarding individual directors to enable shareholders to make their own assessment of directors. | Applied. |

King III Principle 2.20 – The induction of and ongoing training and development of directors should be conducted through formal processes

*Director development*

| | | |
|---|---|---|
| | The board should ensure that: | |
| 2.20.1 | a formal induction programme is established for new directors; | Applied. |
| 2.20.2 | inexperienced directors are developed through mentorship programmes; | Applied. |
| 2.20.3 | continuing professional development programmes are implemented; and | Applied. |
| 2.20.4 | directors receive regular briefings on changes in risks, laws and the environment. | Applied. |

King III Principle 2.21 - The board should be assisted by a competent, suitably qualified and experienced company secretary

*Company Secretary*

| | | |
|---|---|---|
| 2.21.1 | The board should appoint and remove the company secretary. | This will be adhered to should a replacement be required. |
| 2.21.2 | The board should empower the individual to enable him to properly fulfil his duties. | An independent company secretarial service has been engaged. |
| | The company secretary should: | Many of the duties ordinarily performed by a Company Secretary have been assumed by the Group Commercial Director and the Group Financial Director. The Company Secretary does, however, attend all Board meetings and does provide guidance on matters relating to company law and corporate governance. |
| 2.21.3 | have an arm's length relationship with the board; | Applied. |
| 2.21.4 | not to be a director of the company; | Applied. |
| 2.21.5 | assist the nomination committee with the appointment of directors; | Nominations are dealt with by the Remuneration and Nomination Committee. |

King III Principle 2.21 – The board should be assisted by a competent, suitably qualified and experienced company secretary (continued)

*Company Secretary (continued)*

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 2.21.6 | assist with the director induction and training programmes; | The background, skills and past experience of any new appointees will be assessed in collaboration with the individual. Where it is found necessary, the appointee will be invited to attend a relevant induction programme. |
| 2.21.7 | provide guidance to the board on the duties of the directors and good governance; | Applied. |
| 2.21.8 | ensure board and committee charters are kept up to date; | The Group Commercial Director attends to these. |
| 2.21.9 | prepare and circulate board papers; | The Group Commercial Director and/or the Group Financial Director attend to these. |
| 2.21.10 | elicit responses, input and feedback for board and board committee meetings; | The Group Commercial Director and/or the Group Financial Director attend to these. |
| 2.21.11 | assist in drafting yearly work plans; | Executive management attends to these. |
| 2.21.12 | ensure preparation and circulation of minutes of board and committee meetings; and | The Group Commercial Director and/or the Group Financial Director attend to these. |
| 2.21.13 | assist with the evaluation of the board, committees and individual directors. | The Board uses a self-assessment programme by which effectiveness of the individuals and committees are assessed. |

King III Principle 2.22 – The evaluation of the board, its committees and the individual directors should be performed every year

*Performance assessment*

| | | |
|---|---|---|
| 2.22.1 | The board should determine its own rule, functions, duties and performance criteria as well as that for directors on the board and board committees to serve as a benchmark for the performance appraisal. | Applied. |
| 2.22.2 | Yearly evaluations should be performed by the chairman or an independent provider. | The Board uses a self-assessment programme by which effectiveness of the individuals and committees are assessed. |
| 2.22.3 | The results of the performance evaluations should identify training needs for directors. | Applied. |
| 2.22.4 | An overview of the appraisal process, results and action plans should be disclosed in the integrated report. | To be applied in the future. |
| 2.22.5 | The nomination for the re-appointment of a director should only occur after the evaluation of the performance and attendance of the director. | To be applied in the future. |

King III Principle 2.23 – The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities

*Board committees*

| | | |
|---|---|---|
| 2.23.1 | Formal terms of reference should be established and approved for each committee of the board. | The Board and its committees are governed in terms of documented and approved charters. |
| 2.23.2 | The committees' terms of reference should be reviewed yearly. | To be applied in the future. |
| 2.23.3 | The committees should be appropriately constituted and the composition and the terms of reference should be disclosed in the integrated report. | Applied. |

**King III Principle 2.23 – The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities** (continued)

*Board committees (continued)*

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 2.23.4 | Public and state-owned companies must appoint an audit committee. | Applied. |
| 2.23.5 | All other companies should establish an audit committee and define its composition, purpose and duties in the memorandum of incorporation. | Applied. |
| 2.23.6 | Companies should establish risk, nomination and remuneration committees. | Applied. |
| 2.23.7 | Committees, other than the risk committee, should comprise a majority of non-executive directors of which the majority should be independent. | All committees have a majority of non-executive directors albeit that certain committees do not yet have a majority of directors being independent. |
| 2.23.8 | External advisers and executive directors should attend committee meetings by invitation. | Applied. |
| 2.23.9 | Committees should be free to take independent outside professional advice at the cost of the company subject to an approved process being followed. | Applied. |

**King III Principle 2.24 – A governance framework should be agreed between the group and its subsidiary boards**

*Group boards*

| | | |
|---|---|---|
| 2.24.1 | Listed subsidiaries must comply with the rules of the relevant stock exchange in respect of insider trading. | Not applicable. |
| 2.24.2 | The holding company must respect the fiduciary duties of the director serving in a representative capacity on the board of the subsidiary. | Applied. |
| 2.24.3 | The implementation and adoption of policies, processes or procedures of the holding company should be considered and approved by the subsidiary company. | Common policies and processes apply to all companies in the Group. |
| 2.24.4 | Disclosure should be made on the adoption of the holdings company's policies in the integrated report of the subsidiary company. | Not applicable. |

**King III Principle 2.25 – Companies should remunerate directors and executives fairly and responsibly**

*Remuneration of directors and senior executives*

| | | |
|---|---|---|
| 2.25.1 | Companies should adopt remuneration policies aligned with the strategy of the company and linked to individual performance. | Applied. |
| 2.25.2 | The remuneration committee should assist the board in setting and administering remuneration policies. | Applied. |
| 2.25.3 | The remuneration policy should address base pay and bonuses, employee contracts, severance and retirement benefits and share-based and other long-term incentive schemes. | Applied. |
| 2.25.4 | Non-executive fees should comprise a base fee as well as an attendance fee per meeting. | To be applied in the future. |

**King III Principle 2.26 – Companies should disclose the remuneration of each individual director and certain senior executives**

| | | |
|---|---|---|
| | The remuneration report, included in the integrated report, should include: | |
| 2.26.1 | all benefits paid to directors; | Applied. |
| 2.26.2 | the salaries of the three most highly paid employees who are not directors; | Applied. |
| 2.26.3 | the policy on base pay; | Applied. |
| 2.26.4 | participation in share incentive schemes; | Applied. |
| 2.26.5 | the use of benchmarks; | To be applied in 2012. |
| 2.26.6 | incentive schemes to encourage retention; | Applied. |
| 2.26.7 | justification of salaries above the median; | To be applied in the future. |
| 2.26.8 | material payments that are ex-gratia in nature; | Applied. |
| 2.26.9 | policies regarding executive employment; and | Applied. |
| 2.26.10 | the maximum expected potential dilution as a result of incentive awards. | Applied. |

King III Principle 2.27 – Shareholders should approve the company's remuneration policy

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 2.27.1 | Shareholders should pass a non-binding advisory vote on the company's yearly remuneration policy. | Applied |
| 2.27.2 | The board should determine the remuneration of the directors in accordance with the remuneration policy put to shareholder's vote. | Applied. |

### 3. AUDIT COMMITTEES

King III Principle 3.1 – The board should ensure that the company has an effective and independent audit committee

| | | |
|---|---|---|
| 3.1.1 | Listed and state-owned companies must establish an audit committee. | Applied. |
| 3.1.2 | All other companies should establish an audit committee and define its composition, purpose and duties in the memorandum of incorporation. | Applied. |
| 3.1.3 | The board should approve the terms of the reference of the audit committee. | Applied. |
| 3.1.4 | The audit committee should meet as often as is necessary to fulfil its function but at least twice a year. | Applied. |
| 3.1.5 | The audit committee should meet with internal and external auditors at least once a year without management being present. | Applied. |

King III Principle 3.2 – Audit committee members should be suitably skilled and experienced independent non-executive directors

*Membership and resources of the audit committee*

| | | |
|---|---|---|
| 3.2.1 | All members of the audit committee should be independent non-executive directors. | Applied. |
| 3.2.2 | The audit committee should consist of at least three members. | Applied. |
| 3.2.3 | The chairman of the board should not be the chairman or member of the audit committee. | Applied. |
| 3.2.4 | The committee collectively should have sufficient qualifications and experience to fulfil its duties. | Applied. |
| 3.2.5 | The audit committee members should keep up-to-date with the developments affecting the required skill-set. | Applied. |
| 3.2.6 | The committee should be permitted to consult with specialists or consultants subject to a board-approved process. | Applied. |
| 3.2.7 | The board must fill any vacancies on the audit committee. | Applied. |

King III Principle 3.3 – The audit committee should be chaired by an independent non-executive director

| | | |
|---|---|---|
| 3.3.1 | The board should elect the chairman of the audit committee. | Applied. |
| 3.3.2 | The chairman of the audit committee should participate in setting and agreeing the agenda of the committee. | Applied. |
| 3.3.3 | The chairman of the audit committee should be present at the annual general meeting. | Applied. |

King III Principle 3.4 – The audit committee should oversee integrated reporting

*Responsibilities of the audit committee*

| | | |
|---|---|---|
| 3.4.1 | The audit committee should have regard to all factors and risks that may impact on the integrity of the integrated report. | Applied. |
| 3.4.2 | The audit committee should review and comment on the financial statements included in the integrated report. | The Integrated Report has been reviewed by the Audit, Governance and Risk Committee Chairman. |
| 3.4.3 | The audit committee should review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information. | As above. |

**King III Principle 3.4 – The audit committee should oversee integrated reporting** (continued)

***Responsibilities of the audit committee*** *(continued)*

| | | |
|---|---|---|
| 3.4.4 | The audit committee should recommend to the board to engage an external assurance provider on material sustainability issues. | This will be considered for the 2013 financial year should the need arise. |
| 3.4.5 | The audit committee should consider the need to issue interim results. | Applied. |
| 3.4.6 | The audit committee should review the content of the summarised information. | Applied. |
| 3.4.7 | The audit committee should engage the external auditors to provide assurance on the summarised financial information. | Applied. |

**King III Principle 3.5 – The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities**

| | | |
|---|---|---|
| 3.5.1 | The audit committee should ensure that the combined assurance received is appropriate to address all the significant risks facing the company. | Applied. |
| 3.5.2 | The relationship between the external assurance providers and the company should be monitored by the audit committee. | Applied. |

**King III Principle 3.6 – The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function**

***Internal assurance providers***

| | | |
|---|---|---|
| 3.6.1 | Every year a review of the finance function should be performed by the audit committee. | Applied. |
| 3.6.2 | The results of the review should be disclosed in the integrated report. | The Group Financial Director is assessed each year by the Audit, Governance and Risk Committee. |

**King III Principle 3.7 – The audit committee should be responsible for overseeing of internal audit**

| | | |
|---|---|---|
| 3.7.1 | The audit committee should be responsible for the appointment, performance assessment and/or dismissal of the CAE. | To be applied in the future. |
| 3.7.2 | The audit committee should approve the internal audit plan. | To be applied in the future. |
| 3.7.3 | The audit committee should ensure that the internal audit function is subject to an independent quality review as and when the committee determines it appropriate. | To be applied in the future. |

**King III Principle 3.8 – The audit committee should be an integral component of the risk management process**

| | | |
|---|---|---|
| 3.8.1 | The charter of the audit committee should set out its responsibilities regarding risk management. | Applied. |
| 3.8.2 | The audit committee should specifically have oversight of: | |
| 3.8.2.1 | financial reporting risks; | Applied. |
| 3.8.2.2 | internal financial controls; | Applied. |
| 3.8.2.3 | fraud risks as it relates to financial reporting; and | Applied. |
| 3.8.2.4 | IT risks as it relates to financial reporting. | The Group uses a heat risk map that includes a section addressing IT. |

**King III Principle 3.9 – The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process**

***External assurance providers***

| | | |
|---|---|---|
| | The audit committee: | |
| 3.9.1 | must nominate the external auditor for appointment; | Applied. |
| 3.9.2 | must approve the terms of engagement and remuneration for the external audit engagement; | Applied. |

King III Principle 3.9 – The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process (continued)

*External assurance providers (continued)*

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 3.9.3 | must monitor and report on the independence of the external auditor; | Applied. |
| 3.9.4 | must define a policy for non-audit services provided by the external auditor and must approve the contracts for non-audit services; | Applied. |
| 3.9.5 | should be informed of any Reportable Irregularities identified and reported by the external auditor; and | Applied. |
| 3.9.6 | should review the quality and effectiveness of the external audit process | Applied. |

King III Principle 3.10 – The audit committee should report to the board and shareholders on how it has discharged its duties

*Reporting*

| | | |
|---|---|---|
| 3.10.1 | The audit committee should report internally to the board on it statutory duties and duties assigned to it by the board. | Applied. |
| 3.10.2 | The audit committee must report to the shareholders on its statutory duties: | |
| 3.10.2.1 | how its duties were carried out; | Applied. |
| 3.10.2.2 | if the committee is satisfied with the independence of the external auditor; | Applied. |
| 3.10.2.3 | the committee's view on the financial statements and the accounting practices; and | Applied. |
| 3.10.2.4 | whether the internal financial control are effective. | Applied. |
| 3.10.3 | The audit committee should provide a summary of its role and details of its composition, number of meetings and activities, in the integrated report. | Applied. |
| 3.10.4 | The audit committee should recommend the integrated report for approval by the board. | Applied. |

## 4. THE GOVERNANCE OF RISK

King III Principle 4.1 – The board should be responsible for the governance of risk

*The board's responsibility for risk governance*

| | | |
|---|---|---|
| 4.1.1 | A policy and plan for a system and process of risk management should be developed. | The Board has established an Audit, Governance and Risk Committee. |
| 4.1.2 | The board should comment in the integrated report on the effectiveness of the system and process of risk management. | To be applied in the future. |
| 4.1.3 | The board's responsibility for risk governance should be expressed in the board charter. | Incorporated in the Audit, Governance and Risk Committee charter. |
| 4.1.4 | The induction and ongoing training programmes of the board should incorporate risk governance. | The background, skills and past experience of any new appointees will be assessed in collaboration with the individual. Where it is found necessary, the appointee will be invited to attend a relevant induction programme. |
| 4.1.5 | The board's responsibility for risk governance should manifest in a documented risk management policy and plan. | To be applied in the future. |

King III Principle 4.1 – The board should be responsible for the governance of risk (continued)

*The board's responsibility for risk governance (continued)*

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 4.1.6 | The board should approve the risk management policy and plan. | To be applied in the future. |
| 4.1.7 | The risk management policy should be widely distributed throughout the company. | To be applied in the future. |
| 4.1.8 | The board should review the implementation of the risk management plan at least once a year. | To be applied in the future. |
| 4.1.9 | The board should ensure that the implementation of the risk management plan is monitored continually. | To be applied in the future. |

King III Principle 4.2 – The board should determine the level of risk tolerance

| | | |
|---|---|---|
| 4.2.1 | The board should set the levels of risks tolerance once a year. | To be applied in the future. |
| 4.2.2 | The board may set limits for the risk appetite. | To be applied in the future. |
| 4.2.3 | The board should monitor that risks taken are within the tolerance levels. | To be applied in the future. |

King III Principle 4.3 – The risk committee or audit committee should assist the board in carrying out its risks responsibilities

| | | |
|---|---|---|
| 4.3.1 | The board should appoint a committee responsible for risk. | Applied. |
| 4.3.2 | The risk committee should: | |
| 4.3.2.1 | consider the risk management policy and plan and monitor the risk management process; | Applied. |
| 4.3.2.2 | have as its members executive and non-executive directors, members of senior management and independent risk management and experts to be invited, if necessary; | The Audit, Governance and Risk Committee comprises only of non-executive directors. Executive directors attend by invitation. |
| 4.3.2.3 | have a minimum of three members; and | Applied. |
| 4.3.2.4 | convene at least twice per year. | Applied. |
| 4.3.3 | The performance of the committee should be evaluated once a year by the board. | The Board uses a self-assessment programme by which effectiveness of the individuals and committees are assessed. |

King III Principle 4.4 – The board should delegate to management the responsibility to design, implemented and monitor the risk management plan

*Management's responsibility for risk management*

| | | |
|---|---|---|
| 4.4.1 | The board's risk strategy should be executed by management by means of risk management systems and processes. | Applied. |
| 4.4.2 | Management is accountable for integrating risk in the day-to-day activities of the company. | Applied. |
| 4.4.3 | The CRO should be a suitably experienced person who should have access and interact regularly on strategic matters with the board and/or appropriate board committees and executive management. | The responsibilities of a CRO are incorporated into the duties of the Group Financial Director and the Group Commercial Director. |

King III Principle 4.5 – The board should ensure that risk assessments are performed on a continual basis

*Risk assessment*

| | | |
|---|---|---|
| 4.5.1 | The board should ensure effective and ongoing risk assessments are performed. | Applied. |
| 4.5.2 | A systematic, documented, formal risk assessment should be conducted at least once a year. | Applied. |
| 4.5.3 | Risks should be prioritised and ranked to focus responses and interventions. | Applied. |
| 4.5.4 | The risk assessment process should involve the risks affecting various income streams of the company, the critical dependencies of the business, the sustainability and the legitimate interests and expectations of stakeholders. | Applied. |
| 4.5.5 | Risk assessments should adopt a top-down approach. | Applied. |

King III Principle 4.5 – The board should ensure that risk assessments are performed on a continual basis (continued)

*Risk assessment (continued)*

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 4.5.6 | The board should regularly receive and review a register of the company's key risks. | Applied. |
| 4.5.7 | The board should ensure that key risks are quantified where practicable. | Applied. |
| **King III Principle 4.6 – The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks** | | |
| 4.6.1 | The board should ensure that a framework and processes are in place to anticipate unpredictable risks. | A framework will be developed and established for the 2013 financial year. |
| **King III Principle 4.7 – The board should ensure that management considers and implements appropriate risk responses** | | |
| 4.7.1 | Management should identify and note in the risk register the risk responses decided upon. | Applied. |
| 4.7.2 | Management should demonstrate to the board that the risk response provides for the identification and exploitation of opportunities to improve the performance of the company. | Applied. |
| **King III Principle 4.8 – The board should ensure continual risk monitoring by management** | | |
| 4.8.1 | The board should ensure that effective and continual monitoring of risk management takes place. | A heat risk map is included in the Audit, Governance and Risk Committee packs together with specific reports on risk from both the Group Commercial Director and Financial Director. |
| 4.8.2 | The responsibility for monitoring should be defined in the risk management plan. | The risk management plan will be developed in conjunction with the risk framework. |
| **King III Principle 4.9 – The board should receive assurance regarding the effectiveness of the risk management process** | | |
| 4.9.1 | Management should provide assurance to the board that the risk management plan is integrated in the daily activities of the company. | As per above. |
| 4.9.2 | Internal audit should provide a written assessment of the effectiveness of the system of internal controls and risk management to the board. | A specific internal audit function will be introduced in the 2013 financial year. |
| **King III Principle 4.10 – The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders** | | |
| 4.10.1 | Undue, unexpected or unusual risks should be disclosed in the integrated report. | Risks have been explained in the Integrated Annual Report including industry-specific risk as well as contingent liabilities. |
| 4.10.2 | The board should disclose its view on the effectiveness of the risk management process in the integrated report. | A framework will be developed and established for the 2013 financial year. |

## 5. THE GOVERNANCE OF INFORMATION TECHNOLOGY

**King III Principle 5.1 – The board should be responsible for information technology (IT) governance**

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 5.1.1 | The board should assume the responsibility for the governance of IT and place it on the board agenda. | Matters pertaining to IT risk have been delegated to the Audit, Governance and Risk Committee. IT risk will be dealt with specifically in the risk framework that will be developed and implemented for the 2013 financial year. |
| 5.1.2 | The board should ensure that an IT charter and policies are established and implemented. | As above. |
| 5.1.3 | The board should ensure promotion of an ethical IT governance culture and awareness and of a common IT language. | As above. |
| 5.1.4 | The board should ensure that an IT internal control framework is adopted and implemented. | As above. |
| 5.1.5 | The board should receive independent assurance on the effectiveness of the IT internal controls. | As above. |

**King III Principle 5.2 – IT should be aligned with the performance and sustainability objectives of the company**

| | | |
|---|---|---|
| 5.2.1 | The board should ensure that the IT strategy is integrated with the company's strategic and business processes. | As above. |
| 5.2.2 | The board should ensure that there is a process in place to identify and exploit opportunities to improve the performance and sustainability of the company through the use of IT. | As above. |

**King III Principle 5.3 – The board should delegate to management the responsibility for the implementation of an IT governance framework**

| | | |
|---|---|---|
| 5.3.1 | Management should be responsible for the implementation of the structure, processes and mechanism for the IT governance framework. | Applied. |
| 5.3.2 | The board may appoint an IT steering committee of similar function to assist with its governance of IT. | To be considered. |
| 5.3.3 | The CEO should appoint a Chief Information Officer (CIO) responsible for the management of IT. | The duties of a CIO have been assigned to the Group Financial Director and Group Commercial Director assisted by the Group Information Systems Manager. |
| 5.3.4 | The CIO should be a suitably qualified and experienced person who should have access and interact regularly on strategic IT matters with the board and/or appropriate board committee and executive management. | As above. |

**King III Principle 5.4 – The board should monitor and evaluate significant IT investments and expenditure**

| | | |
|---|---|---|
| 5.4.1 | The board should oversee the value delivery of IT and monitor the return on investment from significant IT projects | All significant capital expenditure items are approved by the Board within the terms of the levels of authority matrix. |
| 5.4.2 | The board should ensure that intellectual properties contained in information systems are protected. | A framework will be developed and established for the 2013 financial year which will incorporate this aspect. |
| 5.4.3 | The board should obtain independent assurance on the IT governance and controls supporting outsourced IT services. | A framework will be developed and established for the 2013 financial year which will incorporate this aspect. |

King III Principle 5.5 – IT should form an integral part of the company's risk management

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 5.5.1 | Management should regularly demonstrate to the board that the company has adequate business resilience arrangements in place for disaster recovery. | Applied. |
| 5.5.2 | The board should ensure that the company complies with IT laws and that IT-related rules, codes and standards are considered. | A framework will be developed and established for the 2013 financial year which will incorporate this aspect. |

King III Principle 5.6 – The board should ensure that information assets are managed effectively

| | | |
|---|---|---|
| 5.6.1 | The board should ensure that there are systems in place for the management of information which should include information security, information management and information privacy. | Applied. |
| 5.6.2 | The board should ensure that all personal information is treated by the company as an important business asset and is identified. | Applied. |
| 5.6.3 | The board should ensure that an Information Security Management System is developed and implemented. | A framework will be developed and established for the 2013 financial year which will incorporate this aspect. |
| 5.6.4 | The board should approve the information security strategy and delegate and empower management to implement the strategy. | A framework will be developed and established for the 2013 financial year which will incorporate this aspect. |

King III Principle 5.7 – A risk committee and audit committee should assist the board in carrying out its IT responsibility

| | | |
|---|---|---|
| 5.7.1 | The risk committee should ensure that IT risks are adequately addressed. | Applied. |
| 5.7.2 | The risk committee should obtain appropriate assurance that controls are in place and effective in addressing IT risks. | IT risk is a significant component of the Group's existing, and documented, internal controls. |
| 5.7.3 | The audit committee should consider IT as it relates to financial reporting and the going concern of the company. | Applied. |
| 5.7.4 | The audit committee should consider the use of technology to improve audit coverage and efficiency. | Applied. |

## 6. COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

King III Principle 6.1 – The board should ensure that the company complies with applicable laws and consider adherence to non-binding rules, codes and standards

| | | |
|---|---|---|
| 6.1.1 | Companies must comply with all applicable laws. | Applied. |
| 6.1.2 | Exceptions permitted in law, shortcomings and proposed changes expected should be handled ethically. | Applied. |
| 6.1.3 | Compliance should be an ethical imperative. | Applied. |
| 6.1.4 | Compliance with applicable laws should be understood not only in terms of the obligation that they create, but also for the rights and protection that they afford. | Applied. |
| 6.1.5 | The board should understand the context of the law, and how other applicable laws interact with it. | Applied. |
| 6.1.6 | The board should monitor the company's compliance with applicable laws, rules, codes and standards. | Applied. |
| 6.1.7 | Compliance should be a regular item on the agenda of the board. | Applied. |
| 6.1.8 | The board should disclose details in the integrated report on how it discharged its responsibility to establish an effective compliance framework and processes. | Applied. |

King III Principle 6.2 –The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 6.2.1 | The induction and ongoing training programmes of directors should incorporate an overview of and any changes to applicable laws, rules, codes and standards. | Applied. |
| 6.2.2 | Directors should sufficiently familiarise themselves with the general content of applicable laws, rules, codes and standards to discharge their legal duties. | Applied. |

King III Principle 6.3 – Applied. risk should form an integral part of the company's risk management process

| | | |
|---|---|---|
| 6.3.1 | The risk of non-compliance should be identified, assessed and responded to through the risk management processes. | A heat risk map is included in the Audit, Governance and Risk Committee packs together with specific reports on risk from both the Group Commercial Director and Group Financial Director. |
| 6.3.2 | Companies should consider establishing a compliance function. | Compliance matters are incorporated into the role of the Audit, Governance and Risk Committee. |

King III Principle 6.4 – The board should delegate to management the implementation of an effective compliance framework and processes

| | | |
|---|---|---|
| 6.4.1 | The board should ensure that a legal compliance policy, approved by the board, has been implemented by management. | There is a Group Commercial Director who attends to matters of legal and other compliance. |
| 6.4.2 | The board should receive assurance on the effectiveness of the controls around compliance with laws, rules, codes and standards. | Partially applied. |
| 6.4.3 | Compliance with laws, rules, codes and standards should be incorporated in the code of the conduct of the company. | Applied. |
| 6.4.4 | Management should establish the appropriate structures, educate and train, and communicate and measure key performance indicators relevant to compliance. | Partially applied. |
| 6.4.5 | The integrated report should include details of material or often repeated instances of non-compliance by either the company or its directors in their capacity as such. | To be assessed and reported, if any, from 2012. |
| 6.4.6 | An independent, suitably skilled compliance officer may be appointed. | Due to the size of the Group, a compliance officer will not be appointed and the compliance function will be attended to by the Group Financial Director supported by the Group Commercial Director. |
| 6.4.7 | The compliance officer should be suitably skilled and experienced person who should access and interact regularly on strategic compliance matters with the board and/or appropriate board committee and executive management. | Refer 6.4.6. |
| 6.4.8 | The structuring of the compliance function, its role and its position in terms of reporting lines should be a reflection of the company's decision on how compliance is to be integrated with its ethics and risk management. | Refer 6.4.6. |
| 6.4.9 | The compliance function should have adequate resources to fulfil its function. | Refer 6.4.6. |

## 7. INTERNAL AUDIT

**King III Principle 7.1 – The board should ensure that there is an effective risk-based internal audit**

*The need for and role of internal audit*

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 7.1.1 | Companies should establish an internal audit function. | The Group does not currently have an internal audit function. Consideration will be given to the use of an outsourced provider. |
| 7.1.2 | Internal audit should perform the following functions: | |
| 7.1.2.1 | evaluate the company's governance processes; | Refer 7.1.1 above. |
| 7.1.2.2 | perform an objective assessment of the effectiveness of risk management and the internal control framework; | Refer 7.1.1 above. |
| 7.1.2.3 | systematically analyse and evaluate business processes and associated controls; and | Refer 7.1.1 above. |
| 7.1.2.4 | provide a source of information as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities. | Refer 7.1.1 above. |
| 7.1.3 | An internal audit charter should be defined and approved by the board. | Refer 7.1.1 above. |
| 7.1.4 | The internal audit function should adhere to the IIA Standards and code of ethics. | Refer 7.1.1 above. |

**King III Principle 7.2 – Internal audit should follow a risk-based approach to its plan**

*Internal audit's approach and plan*

| | | |
|---|---|---|
| 7.2.1 | The internal audit plan and approach should be informed by the strategy and risks of the company. | To be applied as and when someone is appointed to the role. |
| 7.2.2 | Internal audit should be an objective provider of assurance that considers: | Refer 7.2.1 above. |
| 7.2.3.1 | the risks that may prevent or slow down the realisation of strategic goals; | Refer 7.2.1 above. |
| 7.2.3.2 | whether controls are in place and functioning effectively to mitigate this; and | Refer 7.2.1 above. |
| 7.2.3.3 | the opportunities that will promote the realisation of strategic goals that are identified, assessed and effectively managed by the company's management team. | Refer 7.2.1 above. |

**King III Principle 7.3 – Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management**

| | | |
|---|---|---|
| 7.3.1 | Internal audit should form an integral part of the combined assurance model as internal assurance provider. | Refer 7.2.1 above. |
| 7.3.2 | Internal controls should be established not only over financial matters, but also operational, compliance and sustainability issues. | Refer 7.2.1 above. |
| 7.3.3 | Companies should maintain an effective governance, risk management and internal control framework. | Refer 7.2.1 above. |
| 7.3.4 | Management should specify the elements of the control framework. | Refer 7.2.1 above. |
| 7.3.5 | Internal audit should provide a written assessment of the system of internal controls and risk management to the board. | Refer 7.2.1 above. |
| 7.3.6 | Internal audit should provide a written assessment of the system of internal controls and risk management to the audit committee. | Refer 7.2.1 above. |

**King III Principle 7.4 – The audit committee should be responsible for overseeing internal audit**

| | | |
|---|---|---|
| 7.4.1 | The internal audit plan should be agreed and approved by the audit committee. | Refer 7.2.1 above. |
| 7.4.2 | The audit committee should evaluate the performance of the internal audit function. | Refer 7.2.1 above. |
| 7.4.3 | The audit committee should ensure that the internal audit function is subjected to an independent quality review. | Refer 7.2.1 above. |
| 7.4.4 | The CAE should report functionally to the audit committee chairman. | Refer 7.2.1 above. |
| 7.4.5 | The audit committee should be responsible for the appointment, performance assessment and dismissal of the CAE. | Refer 7.2.1 above. |

King III Principle 7.4 – The audit committee should be responsible for overseeing internal audit (continued)

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 7.4.6 | The audit committee should ensure that the internal audit function is appropriately resourced and has appropriate budget allocated to the function. | Refer 7.2.1 above. |
| 7.4.7 | Internal audit should report at all audit committee meetings. | Refer 7.2.1 above. |

King III Principle 7.5 – Internal audit should be strategically positioned to achieve its objectives

*Internal audit's status in the company*

| | | |
|---|---|---|
| 7.5.1 | The internal audit function should be independent and objective. | Refer 7.2.1 above. |
| 7.5.2 | The internal audit function should report functionally to the audit committee. | Refer 7.2.1 above. |
| 7.5.3 | The CAE should have a standing invitation to attend executive committee meetings. | Refer 7.2.1 above. |
| 7.5.4 | The internal audit function should be skilled and resourced as is appropriate for the complexity and volume of risk and assurance needs. | Refer 7.2.1 above. |
| 7.5.5 | The CAE should develop and maintain a quality assurance and improvement programme. | Refer 7.2.1 above. |

## 8. GOVERNING STAKEHOLDER RELATIONSHIPS

King III Principle 8.1 – The board should appreciate that stakeholders' perceptions affect a company's reputation

| | | |
|---|---|---|
| 8.1.1 | The gap between stakeholders' perceptions and the performance of the company should be managed and measured to enhance or protect the company's reputation. | Stakeholder communications are addressed in the Sustainability Report. |
| 8.1.2 | The company's reputation and its linkage with stakeholders' relationship should be a regular board agenda. | The Primeserv Pledge as well as the Code of Ethics address this aspect. |
| 8.1.3 | The board should identify important stakeholder groupings. | Stakeholders have been identified in the Sustainability Report which is incorporated into the Integrated Annual Report and approved for publication by the Board. |

King III Principle 8.2 – The board should delegate to management to proactively deal with stakeholder relationships

| | | |
|---|---|---|
| 8.2.1 | Management should develop a strategy and formulate policies for the management of relationships with each stakeholder grouping. | Refer the Sustainability Report. |
| 8.2.2 | The board should consider whether it is appropriate to publish its stakeholder policies. | Partially applied. |
| 8.2.3 | The board should oversee the establishment of mechanisms and processes that support stakeholders in constructive engagement with the company. | Partially applied. |
| 8.2.4 | The board should encourage shareholders to attend annual general meetings. | The notice of annual general meeting is included in the Integrated Annual Report as well as being publicised on SENS. |
| 8.2.5 | The board should consider not only formal, but also informal, processes for interaction with the company's stakeholders. | Refer Sustainability Report. |
| 8.2.6 | The board should disclose in its integrated report the nature of the company's dealings with stakeholders and the outcomes of these dealings. | Refer Sustainability Report. |

King III Principle 8.3 – The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 8.3.1 | The board should take account of the legitimate interest and expectations of its stakeholders in its decision-making in the best interests of the company. | Refer to the Corporate Governance section of the Integrated Annual Report. |
| | **King III Principle 8.4 – Companies should ensure the equitable treatment of shareholders** | |
| 8.4.1 | There must be equitable treatment of all holders of the same class of shares issued. | There is only one class of shareholder at Group level. |
| 8.4.2 | The board should ensure that minority shareholders are protected. | The Company is required to comply with legislation as well as the JSE Listings Requirements, both of which address protection of minorities. |
| | **King III Principle 8.5 – Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence** | |
| 8.5.1 | Complete, timely, relevant, accurate, honest and accessible information should be provided by the company to its stakeholders whilst having regard to legal and strategic considerations. | Refer to the Sustainability Report. |
| 8.5.2 | Communication with stakeholders should be in clear and understandable language. | Refer to the Sustainability Report. |
| 8.5.3 | The board should adopt communication guidelines that support a responsible communication programme. | Refer to the Sustainability Report. |
| 8.5.4 | The board should consider disclosing in the integrated report the number and reasons for refusal of requests of information that were lodged with the company in terms of the Promotion of Access to Information Act, 2000. | No requests were received therefore there are none to be reported. |
| | **King III Principle 8.6 – The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible** | |
| | ***Dispute resolution*** | |
| 8.6.1 | The board should adopt formal dispute resolution processes for internal and external disputes. | Contracts drawn up by the company include specific provisions dealing with disputes. |
| 8.6.2 | The board should select the appropriate individuals to represent the company in ADR. | The Group Commercial Director will be briefed and will attend. |

## 9. INTEGRATED REPORTING AND DISCLOSURE

King III Principle 9.1 – The board should ensure the integrity of the company's integrated report

*Transparency and accountability*

| | | |
|---|---|---|
| 9.1.1 | A company should have controls to enable it to verify and safeguard the integrity of its integrated report. | External assurance has been received for the financial statements. |
| 9.1.2. | The board should delegate to the audit committee to evaluate sustainability disclosures. | This will be incorporated into the Audit, Governance and Risk Committee's responsibilities. |
| | The integrated report should: | |
| 9.1.3 | be prepared every year; | Applied. |
| 9.1.4 | convey adequate information regarding the company's financial and sustainability performance; and | Applied. |
| 9.1.5 | focus on substance over form. | Applied. |

King III Principle 9.2 – Sustainability reporting and disclosure should be integrated with the company's financial reporting

| | RECOMMENDED PRACTICE | APPLY OR EXPLAIN |
|---|---|---|
| 9.2.1 | The board should include commentary on the company's financial results. | Applied. |
| 9.2.2 | The board must disclose if the company is a going concern. | Refer the Directors' Report. |
| 9.2.3 | The integrated report should describe how the company has made its money. | Applied. |
| 9.2.4 | The board should ensure that the positive and negative impacts of the company's operations and plans to improve the positives and eradicate or ameliorate the negatives in the financial year ahead are conveyed in the integrated report | Refer to the Sustainability Report. |

King III Principle 9.3 – Sustainability reporting and disclosure should be independently assured

| | | |
|---|---|---|
| 9.3.1 | General oversight and reporting of sustainability should be delegated by the board to the audit committee. | To be applied in the future. |
| 9.3.2 | The audit committee assists the board by reviewing the integrated report to ensure that the information contained in it is reliable and that it does not contradict the financial aspects of the report. | To be applied in the future. |
| 9.3.3 | The audit committee should oversee the provision of assurance over sustainability issues. | To be applied in the future. |

# REMUNERATION

Primeserv's remuneration philosophy focuses on developing the value of its people. To this end, it aims to empower every employee to make a positive contribution to the growth of the business.

The Board defines the principles which guide the development of Group strategy and objectives. Performance reviews at individual, divisional and Group level are considered in formulating such strategies and objectives and an appropriate balance sought between employee and shareholder interests.

The Board remains ultimately responsible for the remuneration policy.

## SUMMARY OF REMUNERATION POLICY

### Executive remuneration

Remuneration of executive directors is determined through a process of benchmarking, utilising current market information relating to remuneration and reward practices. This is complemented by performance bonuses which may reach 70% of executives' basic packages.

The Group's longer term incentives for key executives include the use of share options and/or share purchase schemes.

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

Packages are constituted of the following:

- Basic salary – determined by market value and role played
- Short-term incentives – determined by fulfilment of performance targets
- Long-term incentives – determined by creation of sustainable shareholder value and behaviour consistent with this goal

The extent of managerial responsibility, together with actual workplace location, determines basic remuneration of executive directors. Details of directors' fees are listed on page 83.

*Terms of service*

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

External appointment

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

*Short-term incentives*

Performance bonus schemes are available for executive directors. 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.

*Long-term incentives*

Retention of skills is a primary long-term objective of the Group. Share-based incentive schemes aligning the interests of the Group, its businesses and employees are intended to promote this goal, by attracting and retaining high calibre personnel. Share incentive awards are made by the Committee only where business and individual performance targets have been attained.

Details of the benefits held by executive directors under the existing share incentive scheme are reflected on page 84.

### Non-executive directors

*Terms of service*

While shareholders appoint non-executive directors at annual general meetings, interim Board appointments may be made between annual general meetings in terms of Group policy. Such interim appointees may not serve beyond the following annual general meeting, though they may make themselves available for election by shareholders. Non-executive directors serve until such time as, in accordance with the Company's Memorandum of Incorporation, they are required to retire by rotation, at which point they may seek re-election.

*Fees*

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 fees payable to non-executive directors are based on a fee for membership and a fee for attendance and, where applicable, for assignment to sub-committees. An additional fee is paid to the Chairmen of the Board, the Audit, Governance and Risk Committee, the Remuneration and Nomination Committee and the Social and Ethics Committee. Shareholders will be requested to consider a special resolution approving the non-executive directors' fees at the annual general meeting.

There are no short or long-term incentive schemes for non-executive directors. Exceptions apply only where non-executive directors previously held executive office and qualify for unvested benefits resulting from their period of employment with the Company. There are no pension benefits for non-executive directors. Executive management reviews non-executive directors' remuneration and recommendations are made to the Board which in turn proposes fees for approval by shareholders at the annual general meeting. These are approved by shareholders at the annual general meeting.

Non-executive directors' fees are listed on page 83.

## DIRECTORS' REMUNERATION

Directors' emoluments for the 12 months ended 31 March 2012 are shown in note 25 on page 83.

Non-executive directors' remuneration in respect of Board and Committee membership comprises a combination of base fees and fees related to attendance at meetings and is detailed below on the basis that each director attends all scheduled meetings:

| | Fees R'000 | Total R'000 |
|---|---|---|
| **2012** | | |
| JM Judin | **135** | **135** |
| S Klein | **90** | **90** |
| LM Maisela | **90** | **90** |
| DL Rose | **125** | **125** |
| DC Seaton * | **75** | **75** |
| CS Shiceka | **70** | **70** |
| **31 March 2012** | **585** | **585** |
| 2011 | | |
| JM Judin | 290 | 290 |
| S Klein | 175 | 175 |
| LM Maisela | 175 | 175 |
| DL Rose | 240 | 240 |
| DC Seaton * | 255 | 255 |
| CS Shiceka | 130 | 130 |
| **31 March 2011** | 1 265 | 1 265 |

** Appointed as an executive director on 29 June 2012.*

There are no short- or long-term incentive schemes for non-executive directors. There are no pension benefits for non-executive directors.

Shareholders will be requested to approve the non-executive directors' remuneration for the 2013 financial year at the annual general meeting to be held on Thursday, 22 November 2012. The remuneration proposed for non-executive directors for the 2013 financial year is:

| | Base fees R'000 | Attendance fees R'000 |
|---|---|---|
| Chairman | **100** | **20** |
| Non-executive directors | **45** | **20** |
| Chairman of Audit, Governance and Risk Committee | **65** | **20** |
| Chairman of Remuneration and Nomination Committee | **20** | **10** |
| Chairman of Social and Ethics Committee | **12,5** | **5** |
| **Committee members** | | |
| – Audit, Governance and Risk | **15** | **20** |
| – Remuneration and Nomination | **7,5** | **10** |
| – Social and Ethics | **5** | **5** |

Executive directors' participation in incentive shares and share options are shown in note 26 on page 84.

All executive directors and senior management are eligible for an annual performance-related bonus linked to Group and business sector targets. The structure of the individual annual bonus plans and awards are decided by the Group Remuneration and Nomination Committee.

The interest of directors in the share capital of the Company is shown on page 60.

## SUSTAINABILITY CONTEXT AND PROFILE

Primeserv Group Limited is an investment holding company focusing on delivering human resources (HR) products, services and solutions through its operating pillar, Primeserv HR Services. This incorporates two main areas of specialisation: Human Capital Development operating through two divisions, Primeserv HR Solutions and Primeserv Colleges; and Human Capital Outsourcing operating through the Group's largest division, Primeserv Outsourcing.

These divisions provide a comprehensive HR value chain that can be applied through Primeserv's IntHRgrate model in its entirety or in modular form. These divisions encompass an extensive range of HR consulting solutions and services, corporate and vocational training programmes, technical skills training centres, computer training colleges, as well as resourcing and flexible staffing services, supported by wage bureaus and HR logistics outsourcing operations.

Primeserv is committed to facing the challenges in meeting the needs of its stakeholders and is well positioned to play a role in advancing sustainable development. Primeserv's sustainability strategy focuses on long-term economic, environmental and social imperatives as non-financial elements of sustainable business as well as the primary measure of financial performance.

Primeserv Outsourcing operates in an industry that has been subject to increasing levels of review by organised labour and government, leading to unprecedented levels of uncertainty affecting employees, contractors, suppliers and clients. Whilst it seems increasingly unlikely that there will be an outright banning of the outsourcing industry, there is still no clear definition of the regulatory framework in which Primeserv and its competitors might be expected to operate. These matters need to be clarified in order for what is an internationally recognised business practice to prosper and to continue to provide an avenue for jobseekers to enter the formal sector, especially given the high unemployment levels affecting the country. Given the number of industries that Primeserv Outsourcing services, the Group believes that it is able to deliver its product offering in a way that supports not only its own business segment, but also those of its clients, be they in the logistics, manufacturing, construction or services industries.

The Group is an active participant in a number of industry bodies that are seeking to resolve these matters and remains confident that, given that proposed legislation has been referred for redrafting, an environment of increased regulation will be the optimal solution for all parties concerned.

The Human Capital Development units are well-positioned to provide the training and skills that are an objective of a multitude of government policies. As part of this imperative, the Group has embarked on an accelerated programme of training and development of staff at various levels within the organisation and is actively ensuring that the spirit of transformation is embodied in all recruitment initiatives.

In order to address some of the risks that are inherent to the industries in which the Group operates, the Group has opted to seek acquisitive opportunities outside of its traditional spheres of activities. The process of diversification is not an instantaneous panacea but rather a programme intended to take the Group to a different level while still integrating existing components of the business into businesses acquired, where practical and beneficial to both parties.

Processes are implemented to assess, measure and manage the effectiveness and relevance of the Group's sustainability strategy. The Group has embraced the philosophy that its ongoing growth and development depend not only on economic factors, but on the well-being and upliftment of its people, the improvement of surrounding communities and its ongoing investment in corporate, social and environmental sustainability initiatives.

The Group has a commitment to all its stakeholders, be they investors, employees, customers or suppliers, to ensure that the overall business grows in a considered manner and such that there will be no negative effects on the stakeholders. This imperative is communicated to all staff and is embodied in the Primeserv Pledge.

## SUSTAINABILITY AT PRIMESERV

| | 2012 | 2011 |
|---|---|---|
| Revenue (R'000) | **613 145** | 665 281 |
| Operating profit (R'000) | **5 619** | 8 845 |
| Trading margin (%) | **19** | 18 |
| Number of employees – (Permanent) | **387** | 379 |
| Total training spend (R'000) | **358** | 350 |
| Training spend per employee (R) | **925** | 923 |
| Percentage of employees attending HIV/Aids training (%) | **3** | None |
| Lost time injury frequency rate | **0,83** | 0,88 |
| Work-related fatalities | **0** | 0 |
| Corporate social investment including bursaries (R'000) * | **34 000** | 8 400 |

* *The Group's policy on CSI is to allocate 1% to 1,5% of net profit after tax to CSI projects in addition to substantial bursaries granted to learners.*

*Note:*

- *Indicator notes and definitions are provided in the performance data table.*
- *Employee-related data includes non-permanent employees.*
- *Empowerment data is for South Africa.*

## INDUSTRY REGULATION

There have continued to be calls by organised labour, in particular, for increased regulation, if not the outright banning of the contract labour industry in South Africa. This is a topic that receives much attention in the media and poses a particular concern to Primeserv given our significant investment in the outsourcing industry. The Outsourcing Division's HR director is an active participant in a number of industry bodies that have been tasked with attending to this issue. Industries other than the TES industry have also expressed serious concerns relating to the consequences of the Labour Law Bills which were published in December 2010. Some of the concerns raised are that they will:

- discourage foreign direct investment;
- increase national unemployment;
- increase the cost of doing business;
- reduce national economic competitiveness;
- limit youth first-time entry into the labour market; and
- reduce labour market flexibility.

Whilst not everything contained in the Bills is problematic, there remain too many obvious flaws to allow for them to progress in their current format. Consequently, it is highly doubtful that the deadlines imposed for publication this year will be achieved. In terms of the Bills, as they currently stand, there are certain transitional provisions that would see the TES industry continuing to exist for a further three years. In addition, a Regulatory Impact Assessment ("RIA") commissioned by the Department of Labour recommended that the TES Industry be regulated, but not banned. The RIA also emphasised that over-regulation or a ban will negatively impact upon employment growth and have several other unintended consequences. Ultimately it is likely that the Bills will be subject to a Constitutional Court challenge which would further delay any implementation.

Comments from the Minister of Labour, as well as an official acknowledgement from COSATU that the negotiations at NEDLAC cannot progress effectively without all the parties reaching agreement on the "processes" to be engaged, before the details of the Bills can be considered for redrafting, also indicate that that there has been a softening in the stance adopted.

## GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS

### STRUCTURE

Primeserv interacts with all its stakeholders according to the principles of transparency, reliability, integrity and trust. The formal structures, systems and governance culture encompass economic, environmental and social responsibility. The corporate governance report is detailed on pages 23 to 47.

### COMMITMENTS TO EXTERNAL INITIATIVES

The Group and its divisions subscribe to a number of charters, principles and other initiatives. These include amongst others applicable charters relating to BBBEE, the environment, good corporate governance and financial reporting.

Group companies are also members of a number of industry-specific and general associations, including, but not limited to:

- Confederation of Associations in the Private Employment Sector
- Construction Engineering Association
- Institute of Certified Bookkeepers
- Institute for Personnel Management
- Metal and Engineering Industries Bargaining Council
- National Bargaining Council for the Road Freight and Logistics Industry
- SA Board for Personnel Practice
- Steel and Engineering Industries Federation of South Africa

## REPORT CONTENT AND BOUNDARY

Primeserv recognises that as a responsible corporate citizen it has a duty to both internal and external stakeholders for organisational performance that achieves the goals of sustainable performance and development in a manner that does not adversely impact either the environment or society. This means that economic development must be achieved in harmony with the Group's immediate environment as well as taking cognisance of factors such as global warming and climate change. As a consequence of this commitment, Primeserv presents below its report on sustainability prepared in terms of the widely-used Global Reporting Initiative ("GRI").

The Group has considered the reporting boundaries having specific regard to where it is able to exercise influence and for which it may be accountable. Furthermore, the significance of the entity in relation to the sustainability impacts has also been factored into the overall assessment. The boundaries defined take into account factors and circumstances outside of traditional financial reporting considerations.

Based on an overall assessment of the rules for setting a boundary, as outlined in the Global Reporting Initiative GRI Boundary Protocol (January 2005), the Group has included its various operating subsidiary companies as well as its associate company. Entities that are considered to have no significant impact on the final outcome of a disclosure are excluded from the report. The Group will reassess the inclusion or exclusion of entities on an annual basis. Only the financial information has been subject to external assurance as part of the annual audit process.

### STAKEHOLDER ENGAGEMENT

The Group engages with its stakeholders on a regular basis using a number of communication channels including the Primeserv website (www.primeserv.co.za) as well as other electronic and print media. Details of engagement are outlined on page 9.

## ECONOMIC INDICATORS

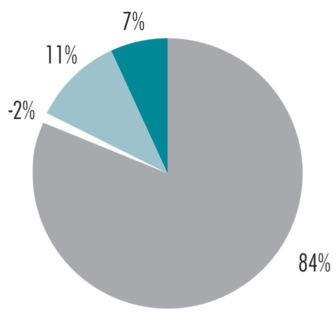
The Group's financial performance and position are detailed in the annual financial statements which are disclosed on pages 56 to 90.

### VALUE ADDED STATEMENT

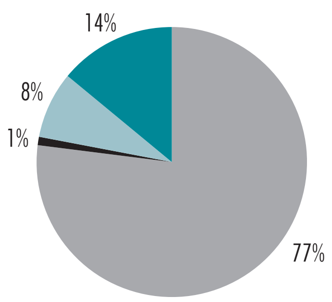
The value added statements presented below measure how the wealth created by the Group was distributed and what was retained in the business.

| | 12 months ended 31 March 2012 R'000 | % | Restated 15 months ended 31 March 2011 R'000 | % |
|---|---|---|---|---|
| **WEALTH CREATED** | | | | |
| **Income from goods and services** | 613 145 | | 665 281 | |
| *Less:* Costs of goods and services | (545 094) | | (576 393) | |
| **Value added from operations** | 68 051 | | 88 888 | |
| *Add:* Interest received on investments | 6 255 | | 4 720 | |
| **Total value added** | 74 306 | 100 | 93 608 | 100 |
| **Utilised as follows:** | | | | |
| **Employees** | | | | |
| Salaries and benefits | 62 171 | 84 | 71 805 | 77 |
| **Providers of capital** | 8 291 | 11 | 7 352 | 8 |
| Dividends paid | 3 301 | 4 | 2 596 | 3 |
| Interest on borrowings | 4 990 | 7 | 4 756 | 5 |
| **Government – Company taxation** | (1 249) | (2) | 1 233 | 1 |
| Current | 478 | 1 | 2 128 | 2 |
| Deferred | (2 057) | (3) | (1 327) | (1) |
| Secondary tax on companies | 330 | – | 432 | – |
| **Retained for reinvestment** | 5 093 | 7 | 13 218 | 14 |
| Depreciation | 1 439 | 2 | 8 444 | 9 |
| Income retained in the business | 3 654 | 5 | 4 774 | 5 |
| **Total utilisation of value added** | 74 306 | 100 | 93 608 | 100 |

**2012**




2011




Employees · Government · Providers of capital · Retained for reinvestment

### RETIREMENT FUNDING

The Group presently contributes to defined contribution retirement benefit plans, being pension funds governed by the Pension Funds Act. Retirement costs for the period amounted to R3 million. There is no obligation to fund post-retirement medical benefits.

## SOCIAL INDICATORS

### DIVERSITY AND OPPORTUNITY

The Company promotes equal opportunities and fair treatment in employment through the elimination of unfair discrimination.

### NON-DISCRIMINATION

The Company does not discriminate, directly or indirectly, against any employee in any employment policy or practice, on grounds including race, gender, sex, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language or birth.

At Primeserv employees may exercise their rights in terms of the Basic Conditions of Employment Act without the 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 their rights, duties and obligations.

### DISCIPLINARY PRACTICES

All disciplinary practices are conducted in accordance with the Group's Disciplinary Code and Procedures in line with the Code of Good Practice.

A Grievance Procedure is also in place to address grievances from employees.

### SECURITY PRACTICES

Security audits ensure compliance with applicable security practices throughout the Group to protect the lives and well-being of employees and the integrity of the Group's assets.

### SOCIAL AND TRANSFORMATION

The Group, encompassing its operating divisions, has submitted its Employment Equity and Skills Development Plans to the relevant authorities and continues to strive to exceed the required targets.

### EMPLOYMENT EQUITY

The Board subscribes to the principles of employment equity and recognises the value of diversity. The Group is committed to providing equal opportunities for its employees, regardless of their ethnic origin or gender. The Group actively develops its employees to empower them to fulfil more responsible positions within the Group, thus reinforcing its diversity and meeting demographic representational requirements.

### SKILLS DEVELOPMENT

The Board monitors the Group's compliance with the Skills Development Act 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 divisions through training and development programmes.

During the review period the Group increased its spend on staff training to R925 per employee compared to R923 in the prior period. In addition, the Group has increased the number of registered learnerships offered to both permanent employees and contractors.

### EQUITY AND PRACTICES

Careful consideration has been given to analyse the Group's policies, procedures, practices and the working environment in order to identify equity barriers and any other negative influences that might have an effect on the positive outcome of the Employment Equity Plan. Allocation of resources include the appointment of a designated officer to manage the implementation, an allocated budget to support the implementation goals of employment through development, training and a further study bursary scheme and the implementation of an Employment Equity Committee.

### RECRUITMENT AND ADVERTISING

- Wherever possible, vacancies are filled from within the Group.
- No job is tailored or advertised with a specific applicant in mind.
- If no suitable candidates are available internally, the position is advertised externally.
- The Group has a policy of non-discrimination.

### SELECTION CRITERIA AND APPOINTMENTS

- The defined competencies as per the job description form the basis on which applicants are screened; an applicant is not discriminated against on any other grounds.
- All applicants who meet the requirements and are suitably qualified for the job are short listed.
- In situations where there is more than one applicant being considered for the position, and all are assessed to be suitably qualified, preference is given to the appointment of a historically disadvantaged employee.

### HISTORICALLY DISADVANCED EMPLOYEES' CAREER PATHS AND SKILLS DEVELOPMENT PLANS

The Group's commitment to the development of all employees and providing equal opportunities in the workplace by making the best use of HR with due regard to the need for building on existing strengths and employee potential, subscribes to the following principles:

- To align Employment Equity targets with Skills Development programmes and objectives.
- To formulate personal development plans for employees from designated groups to ensure that training, development and study opportunities are being made available to further promote equity in the workforce.
- To offer a mentoring programme – this consists of a developmentally oriented relationship between a senior and junior colleague. Mentoring becomes part of the evaluation for promotion and assists in goal setting, planning and identifying of designated employees to be fast tracked.

The Group's workforce profile (EEA2 Report) as submitted to the Department of Labour is presented in the table below.

## WORKFORCE PROFILE (PERIOD ENDING MARCH 2012)

The table below depicts Primeserv's total number of permanent employees (including employees with disabilities) in each of the stipulated occupational levels for the year ended 31 March 2012.

| | 2012 | 2011 |
|---|---|---|
| Total workforce | **387** | 379 |
| Total employees with disabilities | **2** | 2 |
| **WORKFORCE PROFILE** | | |
| **Race and gender profile** | | |
| White females | **68** | 68 |
| Black males | **89** | 116 |
| Black females | **107** | 143 |
| **Occupational level profile** | | |
| Management (top, senior, middle and junior)* | **204** | 222 |
| Non-management | **183** | 157 |
| **Management profile by gender (top management, senior management, middle management, junior management)** | | |
| Females | **78** | 79 |
| Males | **121** | 143 |
| **Management profile by race** | | |
| Black | **112** | 137 |
| White (includes foreign nationals) | **92** | 85 |
| **Non-management profile by gender** | | |
| Females | **138** | 132 |
| Males | **45** | 25 |
| **Non-management profile by race** | | |
| Black | **147** | 121 |
| White (includes foreign nationals) | **36** | 36 |
| **Disability profile** | | |
| Management | **1** | 1 |
| Non-management | **1** | 1 |
| **People with disabilities by gender** | | |
| Females | **1** | 1 |
| Males | **1** | 1 |
| **Workforce Movement** | | |
| Recruits (non-executive directors) | **1** | 1 |
| Resignations (includes absconsions and desertions) | **32** | 31 |
| Non-renewal of contracts | **11** | 0 |
| Dismissals (misconduct and incapacity) | **5** | 3 |
| Other (including retirements) | **2** | 0 |
| Retrenchments | **5** | 9 |

The employment equity profile can be viewed on Primeserv's website: www.primeserv.co.za.

## BBBEE PROCUREMENT

The objective is to increase the amount of money spent on procurement from BBBEE-compliant enterprises and those that score at least 30% on the relevant BBBEE scorecard. Procurement from the above enterprises will ensure that the ripple effect of affirmative procurement is realised throughout the economy.

# CORPORATE SOCIAL INVESTMENT

The driving policy behind Primeserv's corporate social responsibility strategy is the sustainable upliftment of the disadvantaged sectors of our community. Since the economic future of South Africa is substantially dependent on the country's youth, which Primeserv sees as particularly vulnerable, the majority of the Group's CSI efforts are directed at this sector. Primeserv provides financial and professional support to the Siyakhula Trust, which is playing an important role in building leadership capacity within the Gauteng townships and among the rural youth. Primeserv has concentrated on initiatives which provide opportunities to youth, particularly those in rural areas and those infected and affected by HIV/AIDS. During the review period, Primeserv again sponsored the NOAH (Nurturing Orphans of AIDS for Humanity) Kingsway Ark with a Christmas party and improved playground and learning facilities for the over 400 children under the Ark's care. NOAH has 101 Arks, which care for about 30 000 orphans and vulnerable children across KwaZulu-Natal and Gauteng. The Arks are not buildings, but networks of care. They are largely made up of elected community members and are supported and guided by Noah on a financial, organisational and skills training level.

Primeserv has given a long-term commitment to leverage the Group's resources and stakeholder network in order to assist Noah in the excellent service it renders to the community. Aligned with its own core activities, Primeserv cooperates with NGOs to provide skills training through the training component of the HR Solutions division. This includes bursaries and subsidised computer and vocational training through the Colleges division. Relevant NGOs have been identified and numerous programmes have been developed and are currently being implemented in consultation with appropriate parties to provide maximum benefit for participants.

## HUMAN RIGHTS

As a responsible corporate citizen and employer, Primeserv meets the requirements of the various acts, rules and regulations governing labour, including the Constitution, the Labour Relations Act, the Employment Equity Act, the Skills Development Act and the Basic Conditions of Employment Act.

Consequently:

- a programme is in place to educate employees about their human rights
- forced labour is not practised
- child labour is not practised
- the working environment and working conditions are safe and healthy
- freedom of association is respected
- the guidelines of the International Labour Organisation are complied with

The Group will not hesitate to terminate agreements and relationships with contractors or suppliers who act in contravention of international human rights standards.

## BRIBERY AND CORRUPTION

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. It has implemented a system that encourages employees to report all incidences or suspicion of fraud, theft, corruption and similar unethical behaviour through a confidential and secure "whistle-blowing" line of communication.

## COMPETITION AND PRICING

The Group supports and encourages free external and internal competition in all business units, subsidiaries and associate companies.

## PRODUCT RESPONSIBILITY

### Advertising

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.

### Respect for privacy

Policies and procedures are in place to maintain client privacy.

## SAFETY, HEALTH, ENVIRONMENT AND QUALITY

The Board recognises its responsibility for dealing with SHEQ issues and, where applicable, constantly reviews and implements systems of internal control and other policies and procedures to manage SHEQ risks.

### Safety

The Group is committed to preventing workplace accidents and fatalities in terms of the occupational Health and Safety Act (No 85 of 1993) of South Africa.

### Health

The Group pays attention to the HIV/AIDS pandemic in southern Africa without disregarding other diseases that could pose a significant risk.

### Quality

The Group sets high quality standards through an internal review process. A vast proportion of the business contracts entered into are linked to agreed quality levels and service level agreements are entered into between the Group's operating units and clients, where appropriate. Primeserv 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.

# SUSTAINABLE DEVELOPMENT PERFORMANCE DATA

Data has been collated for Primeserv's South African operations, including all South African subsidiaries, but excluding joint ventures, associates and over-border operations, for the period 1 April 2011 to 31 March 2012, which coincides with Primeserv's financial reporting cycle.

**The sustainable performance data as well as the Group's reporting references in the GRI index can be viewed on Primeserv's website: www.primeserv.co.za.**

# DIRECTORS' APPROVAL AND RESPONSIBILITY STATEMENT

The directors are responsible for the preparation, integrity and fair presentation of the Company and the Group financial statements and other financial information included in this report. In presenting the accompanying financial statements, International Financial Reporting Standards have been followed, 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 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 financial statements. The directors have no reason to believe that the Company and the Group will not be a going concern in the future based on forecasts and available cash resources.

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

The financial statements have been audited by the independent auditing firm, Charles Orbach & Company, 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 financial statements were approved by the Board of Directors on 26 September 2012 and signed on its behalf by:

| | |
|---|---|
| JM JUDIN<br>Non-Executive Chairman | M ABEL<br>Chief Executive Officer |

Johannesburg

LEVEL OF ASSURANCE
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

AUDITORS
Charles Orbach & Company
*Registered Auditors*

PREPARER
Raphael Sack
*Financial Director*

PUBLISHED
26 September 2012

# DECLARATION BY COMPANY SECRETARY

For the year ended 31 March 2012 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 (71 of 2008), as amended, and that all such returns are true, correct and up to date.

ER GOODMAN SECRETARIAL SERVICES CC
(REPRESENTED BY ER GOODMAN)
**Company Secretary**

Johannesburg
26 September 2012

# AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

for the twelve months ended 31 March 2012

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 Audit Charter is available for inspection at the registered office of the Company.

## MEMBERSHIP

The Audit, Governance and Risk Committee was elected by shareholders on 23 November 2011 to hold office until the conclusion of the annual general meeting to be held on 22 November 2012. The Committee is chaired by an independent non-executive director, Mr DL Rose, with its other members being Prof S Klein (independent non-executive director) and Ms CS Shiceka (independent non-executive director).

The term of the Committee is for a period from one annual general meeting to the next and its composition is reviewed and approved annually by the Board and members and recommended 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 Audit, Governance and Risk Committee will be sought at the annual general meeting to be held on 22 November 2012. The members proposed for the Audit, Governance and Risk Committee are Mr DL Rose, Prof S Klein and Ms CS Shiceka, all of whom are independent non-executive directors with the required skills and expertise, as outlined in the King III Report on Corporate Governance.

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

## EXTERNAL AUDIT

Charles Orbach & Company was appointed the auditors of the Group on 20 March 2011. This appointment was approved by shareholders on 23 November 2011. The Committee has satisfied itself through enquiry of the independence of the firm. Lennard Vroom, a registered independent auditor, was nominated as the designated partner.

The required assurance was sought and provided by the auditor that the internal governance processes within the audit firm support and demonstrate its claim to independence.

The Committee, in consultation with the Chief Executive Officer, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2012 financial period. 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 non-audit services were rendered during the year.

The external auditors have unrestricted access to the Chairman of the Committee. The Committee meets at least once a year with the auditors without the presence of any executive directors or management.

The Committee has nominated, for approval at the annual general meeting, Charles Orbach & Company, as the external auditor and Lennard Vroom as the designated auditor for the 2013 financial year. The Committee confirms that the auditor and designated auditor are accredited by the JSE.

## RISK MANAGEMENT

While the Board as a whole is responsible for the Group's risk management, it has delegated authority to the Audit, Governance and Risk 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. An internal audit function is intended to be established during the new financial year that will report to the Audit Committee on any areas of concern identified. The Audit Committee will approve the internal audit plan and will exercise functional control of the process.

### Financial Risk Management

Having regard to the fact that managing risk is an inherent part of the Group's activities, risk management and the ongoing improvement in corresponding control structures remain a key focus of 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 Audit, Governance and Risk Committee, has identified a number of matters which it believes requires monitoring and detailing to shareholders. These are summarised in the King III Gap Analysis.

## ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The Audit, Governance and Risk Committee has reviewed the accounting policies and the financial statements of the Group and the Company and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

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

The Audit, Governance and Risk Committee fulfilled its mandate and recommended the Integrated Report for the year ended 31 March 2012 for approval to the Board. The Board approved the financial statements on 26 September 2012 and the financial statements will be open for discussion at the annual general meeting.

## GROUP FINANCIAL DIRECTOR

The Committee confirms that it is of the view that the Group's Financial Director, Mr R Sack, has the necessary expertise and experience to carry out his duties.

## 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**

# DIRECTORS' REPORT

for the twelve months ended 31 March 2012

## NATURE OF BUSINESS

Primeserv Group Limited is an investment holding company whose trading activities are conducted through its subsidiary companies and BBBEE companies, housed in two segments. The subsidiaries own and manage HR solutions businesses, skills training centres, corporate and vocational training operations, recruitment and flexible staffing services as well as skills, labour, wage bureau and HR logistics outsourcing operations, situated throughout Southern Africa.

## FINANCIAL RESULTS

The financial results of the Company and of the Group are set out on pages 62 to 90 of this report. A review of the Group's results and performance of the business units is contained in the Financial Director's report on pages 17 to 19 and in the Review of Operations on pages 20 to 22.

## SHARE CAPITAL

No changes in the authorised or issued share capital of the Company took place during the period under review.

## REPURCHASE OF SECURITIES

A general authority to repurchase further ordinary shares in the Company was granted in terms of a special resolution passed by the Company's shareholders on Wednesday, 23 November 2011, and registered by the Registrar of Companies ("general authority"). During the financial period under review, the Company acquired 3 402 424 (2011: 1 761 800) ordinary shares on the open market.

The directors will seek approval at the annual general meeting for authority to repurchase further shares.

On approval, at the annual general meeting, of the special resolution required to effect any repurchase of securities, the maximum number of shares that the Group may repurchase is limited to 20% of its issued share capital. The maximum premium payable on any repurchase will be limited to 10% above the weighted average middle-market price of such shares over the five days immediately preceding the date of repurchase. Such approval is valid until the next annual general meeting, or 15 months from the date of approval of the resolution.

In considering any repurchase scheme, the directors will take cognisance that after such repurchase, the Company and the Group will, in the ordinary course of business, for the succeeding12-month period, be able to pay its debts, the working capital requirements and the ordinary capital and reserves of the Company and the Group will be adequate and the consolidated assets of the Group will be in excess of its consolidated liabilities, fairly valued.

### 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% of the issued share capital of the Company. At 31 March 2012, 22 571 354 (2011: 24 424 263) shares were held by the Primeserv Group Limited Share Trust for distribution to employees in terms of the scheme. At the same date, nil (2011: 5 107 909) options have been granted to employees in terms of the rules of the share incentive scheme, leaving a surplus of 22 571 354 (2011: 19 316 354) shares.

The unallocated shares, together with the purchased shares, will either be allocated or cancelled in the 2013 financial year. The cancellation will be attended to in a circular to shareholders. 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

The Company declared dividend number 12 of 2,5 cents per share for the 15 months ended 31 March 2011 and declared interim dividend number 13 of 0,50 cents per share on 29 November 2011 for the six months ended 30 September 2011. No final dividend was proposed for the 2012 financial year.

## DIRECTORATE AND SECRETARY

M Abel, JM Judin, S Klein, LM Maisela, AT McMillan, DL Rose, R Sack, DC Seaton and CS Shiceka were directors of the Company throughout the financial year under review. On 29 June 2012 Mr AT McMillan, after a prolonged illness, resigned as a director of the Company. Mr DC Seaton, a non-executive director, was appointed as an executive director on 29 June 2012.

### Company Secretary

ER Goodman Secretarial Services CC (represented by ER Goodman) is the Company Secretary.

In terms of the Memorandum of Incorporation of the Company, Prof S Klein, Ms CS Shiceka and R Sack retire as directors at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## SUBSIDIARY COMPANIES

Details of the Company's interest in its subsidiaries and associate are set out on page 90.

## PRIOR YEAR ERROR

An overstatement of gross profit margins and, hence, gross profit was identified and which required a restatement of results for the prior year. This has been more fully detailed in note 32 of the annual financial statements.

### DIRECTORS' INTERESTS

As at 31 March 2012, the aggregate direct and indirect beneficial interests of directors in the fully paid issued share capital of the Company were:

| | 31 March 2012 Options held | 31 March 2011 Options held | 31 March 2012 Shares held | 31 March 2011 Shares held |
|---|---|---|---|---|
| **EXECUTIVE** | | | | |
| M Abel | – | 3 407 909 | **21 396 721** | 19 194 502 |
| AT McMillan * | – | 700 000 | **3 424 836** | 3 424 836 |
| R Sack | – | – | **668 000** | 317 857 |
| **NON-EXECUTIVE** | | | | |
| JM Judin | – | – | **950 000** | 900 000 |
| S Klein | – | – | **779 887** | 729 887 |
| LM Maisela | – | – | **50 000** | – |
| DL Rose | – | – | **70 000** | – |
| DC Seaton # | – | 1 000 000 | **1 100 000** | 750 000 |
| CS Shiceka | – | – | **50 000** | – |
| | – | 5 107 909 | **28 489 444** | 25 317 082 |

** Resigned 29 June 2012*

*# Appointed as executive 29 June 2012*

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

M Abel has increased his interest by 1 016 shares between 31 March 2012 and the date of this report.

### PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, equipment and vehicles at a cost of R2,2 million (2011: R4,4 million) during the financial year under review. No major changes in the nature of the equipment and vehicles occurred during this period. Investment properties were acquired at a cost of R7,7 million.

### SHARE-BASED PAYMENT RESERVE

As there are no options outstanding at 31 March 2012, the balance on the reserve has been transferred to distributable reserves via the statement of changes in equity.

### GOING CONCERN ASSESSMENT

The Board of Primeserv Group Limited regards the Group as a going concern, as asserted in the following summary:

- The Group's combined operations are expected to continue being profitable in the financial year to March 2013;
- Working capital remains well controlled and receivables are of sound quality;
- The Group has sufficient borrowing capacity in terms of its existing facilities as detailed in the liquidity report;
- The Group has no need to dispose of any assets or undertake a capital restructuring;
- Key executive management is in place and performance management processes are being applied;
- The Group is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business; and
- The Group is monitoring and responding proactively to the spirit and terms of changes in legislation and BBBEE initiatives.

### SUBSEQUENT EVENTS

There have been no events between the end of the reporting period and the date of this report that necessitate adjustment to the statements of financial position or statements of comprehensive income or are disclosable events.

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PRIMESERV GROUP LIMITED

We have audited the consolidated and separate financial statements of Primeserv Group Limited set out on pages 62 to 90, which comprise the statements of financial position as at 31 March 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the consolidated financial statements**

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Primeserv Group Limited as at 31 March 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

**Other reports required by the Companies Act**

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Charles Orbach & Company

CHARLES ORBACH & COMPANY

Partner: L Vroom
Registered Auditor

Johannesburg
26 September 2012

# STATEMENTS OF COMPREHENSIVE INCOME

for the twelve months ended 31 March 2012

| | Notes | Group 12 months ended 31 March 2012 R'000 | Group 15 months ended 31 March 2011 R'000 | Company 12 months ended 31 March 2012 R'000 | Company 15 months ended 31 March 2011 R'000 |
|---|---|---|---|---|---|
| **Revenue** | 1 | 613 145 | 665 281 | – | – |
| Cost of sales | | (499 352) | (544 467) | – | – |
| Gross profit | | 113 793 | 120 814 | – | – |
| **Operating profit/(loss)** | 2 | 5 619 | 8 845 | (2 769) | (1 725) |
| Interest paid | 3 | (4 990) | (4 756) | (7) | – |
| Dividend received | | – | – | 3 076 | 8 362 |
| Interest received | 4 | 6 255 | 4 720 | 2 964 | 4 573 |
| (Impairment)/unimpairment of investment in subsidiaries | 11 | – | – | (5 947) | 3 325 |
| Share of loss from associate | 13 | (1 355) | (202) | – | – |
| Profit/(loss) before taxation | | 5 529 | 8 607 | (2 683) | 14 535 |
| Taxation | 5 | 1 249 | (1 233) | (38) | (1 309) |
| Total comprehensive income/(loss) for the period | | 6 778 | 7 374 | (2 721) | 13 226 |
| *Total comprehensive income attributable to:* | | | | | |
| Ordinary shareholders of the Company | | 7 359 | 8 229 | | |
| Non-controlling shareholders' interest | | (581) | (855) | | |
| Total comprehensive income | | 6 778 | 7 374 | | |
| Weighted average number of shares ('000) | 6 | 93 377 | 102 174 | | |
| Diluted weighted average number of shares ('000) | 6 | 93 377 | 103 166 | | |
| Earnings per share (cents) | 6 | 7,88 | 8,05 | | |
| Diluted earnings per share (cents) | 6 | 7,88 | 7,98 | | |
| Headline earnings per share (cents) | 6 | 7,88 | 8,05 | | |
| Diluted headline earnings per share (cents) | 6 | 7,88 | 7,98 | | |

# STATEMENTS OF FINANCIAL POSITION

as at 31 March 2012

| | | Group | | | Company | |
|---|---|---|---|---|---|---|
| | Notes | 31 March 2012 R'000 | Restated 31 March 2011 R'000 | Restated 31 December 2009 R'000 | 31 March 2012 R'000 | 31 March 2011 R'000 |
| **ASSETS** | | | | | | |
| **Non-current assets** | | **47 299** | 30 178 | 25 644 | **136 036** | 138 553 |
| Equipment and vehicles | 7 | **6 878** | 6 072 | 4 229 | **801** | 683 |
| Investment property | 8 | **7 645** | – | – | – | – |
| Goodwill | 9 | **13 293** | 12 012 | 10 135 | – | – |
| Intangible assets | 10 | **2 992** | 601 | 642 | – | – |
| Investment in subsidiaries | 11 | – | – | – | **55 269** | 61 441 |
| Long-term receivable | 12 | **1 214** | 1 214 | 4 227 | – | – |
| Investment in and loan to associate | 13 | **5 815** | 2 874 | 334 | – | – |
| Loans to subsidiaries | 18 | – | – | – | **70 510** | 67 735 |
| Deferred tax asset | 14 | **9 462** | 7 405 | 6 077 | **210** | 248 |
| Advance to share trust | 15 | – | – | – | **9 246** | 8 446 |
| **Current assets** | | **104 087** | 97 655 | 110 973 | **12 020** | 23 624 |
| Inventories | 16 | **532** | 1 017 | 965 | – | 10 |
| Trade receivables | 17 | **86 641** | 64 922 | 78 871 | – | – |
| Other receivables | 17 | **5 419** | 6 466 | 3 362 | **1 104** | 503 |
| Loans to subsidiaries | | – | – | – | – | – |
| Cash and cash equivalents | | **11 495** | 25 250 | 27 775 | **10 916** | 23 111 |
| **Total assets** | | **151 386** | 127 833 | 136 617 | **148 056** | 162 177 |
| **EQUITY AND LIABILITIES** | | | | | | |
| **Capital and reserves** | | **73 530** | 72 896 | 70 660 | **86 418** | 94 423 |
| Ordinary share capital | 19 | **1 321** | 1 321 | 1 321 | **1 321** | 1 321 |
| Share premium | | **1 351** | 1 351 | 1 351 | **1 351** | 1 351 |
| Distributable reserves | | **87 280** | 82 716 | 77 087 | **22 589** | 22 926 |
| Non-distributable reserve | 20 | – | – | – | **63 205** | 69 152 |
| Treasury shares | 21 | **(15 575)** | (12 545) | (9 893) | **(2 048)** | (646) |
| Share-based payment reserve | | – | 319 | 205 | – | 319 |
| Total equity attributable to equity holders of the Company | | **74 377** | 73 162 | 70 071 | **86 418** | 94 423 |
| Non-controlling interest | | **(847)** | (266) | 589 | – | – |
| **Non-current liabilities** | | – | 632 | 184 | **59 430** | 63 249 |
| Financial liabilities | 22 | – | 632 | 184 | – | – |
| Loans from subsidiaries | 18 | – | – | – | **59 430** | 63 249 |
| **Current liabilities** | | **77 856** | 54 305 | 65 773 | **2 208** | 4 505 |
| Trade and other payables | 23 | **30 400** | 25 081 | 34 572 | **1 236** | 3 258 |
| Current portion of financial liabilities | 22 | **40** | 116 | 181 | – | – |
| Short-term vendor obligation | 22 | **1 281** | 851 | – | | – |
| Taxation payable | | **1 202** | 1 702 | 1 473 | **972** | 1 247 |
| Short-term loan | 22 | **4 388** | – | – | | – |
| Bank borrowings | 24 | **40 545** | 26 555 | 29 547 | – | – |
| **Total equity and liabilities** | | **151 386** | 127 833 | 136 617 | **148 056** | 162 177 |
| Number of shares in issue at year-end ('000) (net of treasury shares) | 19 | **91 829** | 95 231 | 105 455 | | |
| Net asset value per share (cents) (capital and reserves divided by number of shares in issue at year-end) | | **80** | 77 | 67 | | |

# STATEMENTS OF CHANGES IN EQUITY

for the twelve months ended 31 March 2012

| | Notes | Share capital R'000 | Share premium R'000 | Distri-butable reserves R'000 | Treasury shares R'000 | Non-distribu-table reserve R'000 | Share-based payment reserve R'000 | Total R'000 | Non-controlling interest R'000 | Total equity R'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | | | |
| **Opening balances at 1 January 2010 as previously reported** | | 1 321 | 1 351 | 80 993 | (9 893) | – | 205 | 73 977 | 745 | 74 722 |
| **Prior year error** | 32 | – | – | (3 906) | – | – | – | (3 906) | (156) | (4 062) |
| **Opening balances as 1 January 2010 – restated** | | 1 321 | 1 351 | 77 087 | (9 893) | – | 205 | 70 071 | 589 | 70 660 |
| Attributable earnings for the year as previously reported | | – | – | 9 281 | – | – | – | 9 281 | (813) | 8 468 |
| Prior year error – balances written off | 32 | – | – | (1 056) | – | – | – | (1 056) | (42) | (1 098) |
| Dividends paid | | – | – | (2 596) | – | – | – | (2 596) | – | (2 596) |
| Acquisitions by share trust | | – | – | – | (2 652) | – | – | (2 652) | – | (2 652) |
| Share-based payment charge | | – | – | – | – | – | 114 | 114 | – | 114 |
| **Balances at 1 April 2011 – Restated** | | **1 321** | **1 351** | **82 716** | **(12 545)** | **–** | **319** | **73 162** | **(266)** | **72 896** |
| Attributable earnings for the year | | **–** | **–** | **7 359** | **–** | **–** | **–** | **7 359** | **(581)** | **6 778** |
| Dividends paid | | **–** | **–** | **(3 124)** | **–** | **–** | **–** | **(3 124)** | **–** | **(3 124)** |
| Acquisitions by share trust | | **–** | **–** | **–** | **(3 030)** | **–** | **–** | **(3 030)** | **–** | **(3 030)** |
| Share-based payment charge | | **–** | **–** | **–** | **–** | **–** | **10** | **10** | **–** | **10** |
| Transfer of share-based payment reserve | | **–** | **–** | **329** | **–** | **–** | **(329)** | **–** | **–** | **–** |
| **Closing balances at 31 March 2012** | | **1 321** | **1 351** | **87 280** | **(15 575)** | **–** | **–** | **74 377** | **(847)** | **73 530** |
| **COMPANY** | | | | | | | | | | |
| **Opening balances at 1 January 2010** | | 1 321 | 1 351 | 16 326 | – | 65 827 | 205 | 85 030 | – | 85 030 |
| Attributable earnings for the year as previously reported | | – | – | 9 901 | – | – | – | 9 901 | – | 9 901 |
| Prior year error | 32 | – | – | 3 325 | – | – | – | 3 325 | – | 3 325 |
| Dividends paid | | – | – | (3 301) | – | – | – | (3 301) | – | (3 301) |
| Share-based payment charge | | – | – | – | – | – | 114 | 114 | – | 114 |
| Acquisition of treasury shares | | – | – | – | (646) | – | – | (646) | – | (646) |
| Transfer of impairment decrease to non-distributable reserve | | – | – | (3 325) | – | 3 325 | – | – | – | – |
| **Balances at 1 April 2011** | | **1 321** | **1 351** | **22 926** | **(646)** | **69 152** | **319** | **94 423** | **–** | **94 423** |
| Attributable loss for the year | | **–** | **–** | **(2 721)** | **–** | **–** | **–** | **(2 721)** | **–** | **(2 721)** |
| Dividends paid | | **–** | **–** | **(3 892)** | **–** | **–** | **–** | **(3 892)** | **–** | **(3 892)** |
| Share-based payment charge | | **–** | **–** | **–** | **–** | **–** | **10** | **10** | **–** | **10** |
| Acquisition of treasury shares | | **–** | **–** | **–** | **(1 402)** | **–** | **–** | **(1 402)** | **–** | **(1 402)** |
| Transfer of impairment increase against non-distributable reserve | | **–** | **–** | **5 947** | **–** | **(5 947)** | **–** | **–** | **–** | **–** |
| Transfer of share-based payment reserve | | **–** | **–** | **329** | **–** | **–** | **(329)** | **–** | **–** | **–** |
| **Closing balances at 31 March 2012** | | **1 321** | **1 351** | **22 589** | **(2 048)** | **63 205** | **–** | **86 418** | **–** | **86 418** |

# STATEMENTS OF CASH FLOWS

for the twelve months ended 31 March 2012

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 12 months ended 31 March 2012 R'000 | 15 months ended 31 March 2011 R'000 | 12 months ended 31 March 2012 R'000 | 15 months ended 31 March 2011 R'000 |
| **Cash flows from operating activities** | | **(7 444)** | 10 300 | **(949)** | 11 385 |
| Profit before taxation | | **5 529** | 8 607 | **3 264** | 11 210 |
| Adjustments | | **1 937** | 2 758 | **(2 880)** | (4 449) |
| – interest received | | **(6 255)** | (4 720) | **(2 964)** | (4 573) |
| – interest paid | | **4 990** | 4 756 | **7** | – |
| – non-cash flow items | | **1 365** | 109 | **10** | (68) |
| – depreciation | | **1 439** | 2 572 | **67** | 192 |
| – amortisation of intangibles | | **398** | 41 | **–** | – |
| Operating cash flow before working capital changes | | **7 466** | 11 365 | **384** | 6 761 |
| Working capital changes | | **(14 867)** | 1 302 | **(4 015)** | 119 |
| – decrease/(increase) in inventories | | **485** | (52) | **10** | – |
| – (increase)/decrease in trade and other receivables | | **(20 671)** | 10 845 | **(2 003)** | 2 037 |
| – increase/(decrease) in trade and other payables | | **5 319** | (9 491) | **(2 022)** | (1 918) |
| Cash (utilised in)/generated from operations | | **(7 401)** | 12 667 | **(3 631)** | 6 880 |
| Interest received | | **6 255** | 4 720 | **2 964** | 4 573 |
| Interest paid | | **(4 990)** | (4 756) | **(7)** | – |
| Taxation paid | A | **(1 308)** | (2 331) | **(275)** | (68) |
| **Cash flows from investing activities** | | **(16 976)** | (4 377) | **(6 554)** | (9 662) |
| Purchase of equipment and vehicles to maintain operations | | **(2 245)** | (4 263) | **(185)** | (319) |
| Purchase of investment property | | **(7 645)** | – | **–** | – |
| Acquisition of intangible assets | | **(2 789)** | – | **–** | – |
| Transactions with vendors | B | **–** | (587) | **–** | – |
| Repayment of long-term receivable | | **–** | 3 013 | **–** | – |
| Movement in loan to associate | | **(4 297)** | (2 540) | **–** | – |
| Movement in subsidiary company investments and loans | | **–** | – | **(6 369)** | (9 343) |
| **Cash flows from financing activities** | | **2 829** | (208) | **–** | – |
| Decrease in non-current financial liabilities | | **(632)** | (143) | **–** | – |
| Short-term loan | | **4 388** | – | **–** | – |
| Decrease in current portion of financial liability | | **(927)** | (65) | **–** | – |
| **Returned to shareholders** | | **(6 154)** | (5 248) | **(4 692)** | (5 272) |
| Dividends paid | | **(3 124)** | (2 596) | **(3 892)** | (3 301) |
| Repurchase of securities | | **(3 030)** | (2 652) | **(800)** | (1 971) |
| Net (decrease)/increase in cash and cash equivalents | | **(27 745)** | 467 | **(12 195)** | (3 549) |
| Cash and cash equivalents at beginning of period | | **(1 305)** | (1 772) | **23 111** | 26 660 |
| **Cash and cash equivalents at end of period** | C | **(29 050)** | (1 305) | **10 916** | 23 111 |

# NOTES TO THE STATEMENTS OF CASH FLOWS

for the twelve months ended 31 March 2012

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 12 months ended 31 March 2012 R'000 | 15 months ended 31 December 2011 R'000 | 12 months ended 31 March 2012 R'000 | 15 months ended 31 March 2011 R'000 |
| A. | **TAXATION PAID** | | | | |
| | Amount unpaid at beginning of the period | **(1 702)** | (1 473) | **(1 247)** | (428) |
| | Amount charged to the income statement | **(808)** | (2 560) | **–** | (887) |
| | Amount payable at end of the period | **1 202** | 1 702 | **972** | 1 247 |
| | | **(1 308)** | (2 331) | **(275)** | (68) |
| B. | **ACQUISITION OF BUSINESS** | | | | |
| | Tangible assets purchased | **(1 281)** | (152) | **–** | – |
| | Goodwill | **–** | (1 877) | **–** | – |
| | Total consideration | **(1 281)** | (2 029) | **–** | – |
| | Vendor liability | **1 281** | 1 442 | **–** | – |
| | | **–** | (587) | **–** | – |
| C. | **CASH AT BANK AND BORROWINGS AT PERIOD-END** | | | | |
| | Cash at bank | **11 495** | 25 250 | **10 916** | 23 111 |
| | Bank borrowings | **(40 545)** | (26 555) | **–** | – |
| | | **(29 050)** | (1 305) | **10 916** | 23 111 |

# SUMMARY OF ACCOUNTING POLICIES

for the twelve months ended 31 March 2012

## PRINCIPAL ACCOUNTING POLICIES

The financial statements incorporate the following principal accounting policies, which are consistent with those applied in the previous period.

## BASIS OF PREPARATION

These consolidated financial statements are prepared in accordance with, and comply with the JSE Listings requirements and IFRS and the South African Companies Act of 2008 as well as the AC 500 standards as issued by the Accounting Practices Board. The consolidated financial statements are prepared in accordance with the going concern principle on the historical cost basis.

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

## PRINCIPLES OF CONSOLIDATION

Subsidiaries are entities, including unincorporated entities, controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 financial statements of subsidiaries are consolidated from the date on which the Group acquires effective control up to the date that effective control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries and business combinations. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed to the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired (including intangible assets) and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of an acquisition over the fair value of identifiable net assets acquired is recorded as goodwill and accounted for in terms of accounting policy detailed below. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

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

Investments in subsidiaries are accounted for at cost in the Company accounts. The carrying amount of these investments is reviewed annually and written down for impairment where considered necessary.

The Group Share Incentive Trust is indicated in the Company stand-alone accounts as a subsidiary.

## NON-CONTROLLING INTEREST

Non-controlling interest in the net assets is determined as the non-controlling shareholders' proportionate share of the fair value for 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. Gains or losses on disposals and acquisitions are taken to equity.

## ASSOCIATES

Associates are those entities over which the Group has the ability to exercise significant influence, but not control, over the financial and operating policies.

Interests in associates are accounted for using the equity method and are carried in the statements of financial position at an amount that reflects the Group's share of the net assets of the associate. Equity accounting involves recognising the investment initially at cost, including goodwill, and subsequently adjusting the carrying value for the Group's share of associate's profit or loss for the period and are recognised in the statements of comprehensive income.

The presumption exists that an investor has significant influence if the investor holds, directly or indirectly, 20% or more of the voting or potential voting power of the investee. The Group's share of post-acquisition movements in the reserves of the associate is recognised in the Group's reserves. When the Group's share of post-acquisition losses equals or exceeds the Group's interest in the associate, the Group does not recognise further losses unless it has incurred obligations or made payments on the associate's behalf. Unrealised gains on transactions between the Group and its associates are eliminated on consolidation to the extent of the Group's interest in the associate. Unrealised losses are also eliminated to the extent of the Group's interest in the associate unless the transaction provides evidence of an impairment.

In the Company's financial statements, investments in associates are stated at cost less any impairment losses.

## GOODWILL

Goodwill represents the difference between the cost of acquisition of subsidiaries and associates and the fair value of the identifiable net assets acquired.

Goodwill arising on acquisitions prior to 31 March 2004 is included in the statements of financial position at its deemed cost (cost less accumulated amortisation recognised up to 31 March 2003) which represents the amount recorded under previous SA GAAP.

Goodwill arising on acquisitions after 1 April 2004 and the carrying value of goodwill that existed at this date are not amortised but carried at cost less impairment losses.

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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the cash-generating unit sold.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

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

## INTANGIBLE ASSETS

Intangible assets consist of trademarks and premium arising on contracts. Trademarks are recorded at cost less accumulated amortisation and impairments.

Contract-specific premium is written off over the contract term. Trademarks are considered to have indefinite useful lives. The residual value is re-assessed annually. Where the residual value equals or exceeds the carrying amount of an asset no depreciation is recognised.

Intangible assets with an indefinite life are not depreciated, however they are tested for impairment on an annual basis.

Where the carrying value of the intangible asset exceeds its recoverable amount, an impairment is recognised immediately in profit or loss.

## EQUIPMENT AND VEHICLES

Equipment and vehicles are stated at cost less the related accumulated depreciation and impairment. Depreciation is provided for on the straight-line basis at the following annual rates, which will reduce book values 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 |

Residual values and useful lives are reassessed annually.

Gains and losses on disposal are recognised in profit or loss when the item is derecognised.

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. Each part of an item of equipment and vehicles with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of equipment and vehicles is included 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.

## INVESTMENT PROPERTY

Property held to earn rental income and/or for capital appreciation that is not owner-occupied is classified as investment property. Investment property includes property under construction or development for future use as 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.

The fair value of investment property is based on valuation information at the reporting date. If the valuation information cannot be reliably determined, the group uses alternative valuation methods such as discounted cash flow projections or recent prices in active markets.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

## FINANCIAL INSTRUMENTS

### Financial assets

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

- Financial assets at fair value through profit or loss – held for trading
- Financial assets at fair value through profit or loss – designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss – held for trading
- Financial liabilities at fair value through profit or loss – designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

***Initial recognition***
Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

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.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

***Loans and receivables***
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at fair value including transaction costs. These are carried at amortised cost and are impaired if there is objective evidence that the Group will not receive cash flows according to the original contractual terms. Default or delinquency in payment and significant financial difficulties are considered indicators that the receivable is impaired. The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows discounted at the original effective rate. The resulting loss is accounted for as an impairment in the statements of comprehensive income. Trade receivables are presented net of an allowance for impairment. Movements on this allowance are taken to the statements of comprehensive income and uncollectable amounts are written off against the allowance. Subsequent recoveries of amounts previously written off are credited to the statements of comprehensive income.

***Available-for-sale financial assets***
These are non-derivative financial assets that are designated as available for sale, or are not loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially and subsequently measured at fair value. A gain or loss on an available-for-sale financial asset is recognised directly in other comprehensive income, except for impairment losses, which are recognised in profit or loss.

***Impairment***
Financial assets are reviewed at each end of the reporting period date to determine whether there is objective evidence of impairment. If any such indication exists, the recoverable amount is estimated and the carrying value is reduced to the estimated recoverable amount by means of a charge to the statement of comprehensive income.

***Cash and cash equivalents***
Cash and cash equivalents comprise cash balances and call deposits with these being initially and subsequently carried at fair value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

## LEGAL RIGHT OF SET-OFF

Where a legal right of set-off exists, financial assets and financial liabilities are set off against each other.

### Financial liabilities

***Loans and other payables***
Loans are recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. In the case of short-term payables, the impact of discounting is not material and cost approximates amortised cost.

## 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 and other financiers.

## PROVISIONS

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

## DEFERRED TAXATION

Deferred taxation is provided in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the 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 provided on temporary differences arising on investments in associates and subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each end of the reporting period whether there is any indication that an asset should be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss in respect of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## 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.

Shares in the Company held by Group companies and the Share Incentive Trust are classified as treasury shares. The consideration paid for treasury shares, including any directly attributable costs, is deducted on consolidation from total shareholders' equity. Fair value changes recognised in the subsidiary's financial statements in respect of treasury shares are reversed on consolidation and dividends received are offset against dividends paid. Profits/losses realised on the application of treasury share are credited/debited directly to equity. Where treasury shares are subsequently sold or issued, the consideration received (net of incremental costs and attributable taxes) is included in equity.

## EMPLOYEE BENEFITS

### IFRS 2 – Share-Based Payment Reserve – The Primeserv Employee Share Trust

The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined with reference to the fair value of the options granted on grant date and is expenses on a straight-line basis over the vesting period. The fair value is determined by using the Black-Scholes Option valuation model.

Where shares are issued on exercise of the options, the proceeds received are credited to share capital, at par value and the surplus, net of any transaction costs, is credited to share premium. Where treasury share are applied on exercise of the options, the proceeds received, net of any transaction costs are credited directly to equity.

At each end of the reporting period date, management revises its estimate of the number of options expected to vest based on the non-market vesting conditions. The impact of the revision to the original estimates, if any, is recognised in profit or loss with a corresponding increase in equity.

### 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.

## 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.

Secondary tax on companies is provided in the same period as the dividend is paid, net of dividends received or receivable, and is recognised as a taxation charge for the period.

## INVENTORIES

Inventories, comprising consumables and training materials, are valued at the lower of cost and estimated net realisable value. Cost is determined on the first-in, first-out basis. Write downs of inventory to net realisable value are recognised as an expense in the period in which the write-down occurs.

## REVENUE

Group revenue consists of sales to customers from services rendered and is stated net of value added taxation. Course fees received in advance are recognised over the period of the course. Income received on long-term staff supply and training contracts is recognised as it is earned. Interest is recognised on the accrual basis using the effective interest rate method.

Dividends are brought into account as at the last date of registration in respect of listed shares and when declared in respect of unlisted shares.

## FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of the transactions. Balances outstanding at the end of the financial period are translated to Rands at the rates ruling at that date.

Gains or losses on translation are recognised in profit or loss in the period in which they arise.

## LEASES

### Finance leases

The Group leases certain equipment and vehicles. Leases of equipment and vehicles, where the Group has substantially all the risk and rewards of ownership, are classified as finance leases.

Finance leases are capitalised at the lease's commencement at the lower of fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding.

Capitalised leased assets are depreciated on a straight line basis over the shorter of the lease term and the asset's useful life.

The corresponding rental obligations, net of finance charges, are included in long-term payables. The interest element of the finance costs is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### 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.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

## BORROWING COSTS

Interest costs are charged against income using the effective interest rate method.

## SEGMENT REPORTING

The Group is primarily an HR services business and is organised into two main operating divisions, namely Human Capital Outsourcing and Human Capital Development. A third division, Central Services, provides support services. These divisions are the basis on which the Group reports its primary segment information for internal purposes.

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.

## JUDGEMENTS AND ESTIMATES MADE BY MANAGEMENT

Preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual amounts could differ from these estimates.

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments as follows:

### 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 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.

The following key assumptions were applied:

| | |
|---|---|
| Growth rate | 3% |
| Discount rate | 20% |

A forecast period of ten periods was used to assess the carrying amount.

A conservative growth rate of 3% was assumed.

The discount rate was calculated by using a risk-free rate adjusted for risk factors.

**Asset lives and residual values**

Equipment and vehicles are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

**Recoverability of deferred tax assets**

The recoverability of deferred tax assets is assessed giving consideration to the expected profitability of the companies concerned 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 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, VAT recoverable from SARS, impairment provisions raised and the default history of customers.

There are no other key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial period.

**IFRS 2 – Share-Based Payments**

Management has applied the policy as listed under employee benefits.

**At the date of authorisation of these financial statements, the following new standards, amendments and interpretations were in issue but not yet effective, and will at present, have no effect on the Company:**

*IAS 1 – Presentation of Financial Statements: New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity (effective 1 July 2012).*

*IAS 1 – Presentation of Financial Statements: Amendments clarifying the requirements for comparative information including minimum and additional comparative information required (effective 1 January 2013).*

*IAS 12 – Income Taxes: Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale (effective 1 January 2012).*

*IAS 15 – Property, Plant and Equipment: Amendments to the recognition and classification of servicing equipment (effective 1 January 2013).*

*IAS 19 – Employee Benefits: Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans (effective from 1 January 2013).*

*IAS 27R – Consolidated and Separate Financial Statement: Consequential amendments resulting from the issue of IFRS 10,11 and 12 (effective 1 January 2013).*

*IAS 28 – Investments in Associates: Consequential amendments resulting from the issue of IFRS 10,11 and 12 (effective 1 January 2013).*

*IAS 32 – Financial Instruments: Presentation: Amendments to clarify the tax effect of distribution to holders of equity instruments (effective 1 January 2013).*

*IAS 34 – Interim Financial Reporting: Amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities (effective 1 January 2013).*

*IFRS 7 – Financial Instruments: Disclosures: Amendments require disclose of gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure (effective 1 January 2013.*

*IFRS 9 – Financial Instruments: New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement (effective 1 January 2015.*

*IFRS 10 – Consolidated Financial Statements: New standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess (effective 1 January 2013).*

*IFRS 11 – Joint Arrangements: New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities (effective 1 January 2013).*

*IFRS 12 – Disclosure of Interests in Other Entities: New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose (effective 1 January 2013.*

*IFRS 13 – Fair Value Measurement: New guidance on fair value measurement and disclosure requirements (effective 1January 2013).*

*IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013).*

| | Group | | Company | |
|---|---|---|---|---|
| | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 |
| **1. REVENUE** | | | | |
| Revenue compromises: | | | | |
| Services rendered | **606 964** | 658 080 | **–** | – |
| Fair value adjustment to revenue | **6 181** | 7 201 | **–** | – |
| | **613 145** | 665 281 | **–** | – |
| **2. OPERATING PROFIT/(LOSS)** | | | | |
| Operating profit/(loss) is stated after taking into account the following: | | | | |
| **Income** | | | | |
| Management fees | **2 127** | 3 675 | **5 525** | 6 906 |
| Reversal of impairment of advance to Share Trust | **–** | – | **–** | 182 |
| **Expenses** | | | | |
| Operating lease rentals | **10 852** | 13 883 | **(283)** | 138 |
| – equipment and vehicles | **2 599** | 3 018 | **–** | – |
| – premises | **8 253** | 10 865 | **(283)** | 138 |
| Employee costs and benefits | **62 171** | 71 805 | **9 657** | 10 344 |
| Staff costs | **59 623** | 68 815 | **9 214** | 9 557 |
| Share-based payment expense | **10** | 114 | **10** | 114 |
| Retirement costs | **2 538** | 2 876 | **433** | 673 |
| **3. INTEREST PAID** | | | | |
| Bank borrowings | **4 914** | 4 734 | **7** | – |
| Finance leases | **13** | 22 | **–** | – |
| Other | **63** | – | **–** | – |
| | **4 990** | 4 756 | **7** | – |
| **4. INTEREST RECEIVED** | | | | |
| Interest received – cash and cash equivalents | **6 255** | 4 720 | **2 964** | 4 573 |
| | **6 255** | 4 720 | **2 964** | 4 573 |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 |
| **5.** | **TAXATION** | | | | |
| | SA normal taxation | | | | |
| | – current | **478** | 2 128 | **–** | 852 |
| | Secondary tax on companies | **330** | 432 | **–** | 35 |
| | Deferred tax | | | **–** | |
| | – current | **(2 057)** | (1 327) | **38** | 422 |
| | | **(1 249)** | 1 233 | **38** | 1 309 |
| | | **%** | % | **%** | % |
| | **Tax rate reconciliation** | | | | |
| | Statutory tax rate | **28,0** | 28,0 | **28,0** | 28,0 |
| | Share of associate loss | **6,9** | 0,7 | **–** | – |
| | Learnership allowances | **(18,9)** | (9,8) | **–** | – |
| | Tax losses not previously recognised | **(38,2)** | (4,3) | **–** | – |
| | Secondary tax on companies | **6,0** | 5,0 | **–** | 0,2 |
| | Other permanent differences | **(6,4)** | (5,3) | **(29,4)** | (19,2) |
| | Effective tax rate | **(22,6)** | 14,3 | **(1,4)** | 9,0 |
| | The estimated tax losses available for set-off against future taxable income are R52 086 000 (2011: R44 804 000). | | | | |
| **6.** | **EARNINGS PER SHARE** | | | | |
| | **Basic** | | | | |
| | 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 period, excluding shares purchased by the Company, incentive shares and held as treasury shares. | | | | |
| | **Diluted** | | | | |
| | Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. | | | | |
| | **Number of shares in issue ('000)** | | | | |
| | Number of shares in issue at the end of the period | **132 063** | 132 063 | **–** | – |
| | Less: Adjustments to shares in issue | | | | |
| | Treasury shares at the end of the period | **(40 234)** | (36 832) | **–** | – |
| | Weighting for movement during period | **1 548** | 6 943 | **–** | – |
| | Weighted average number of shares in issue ('000) | **93 377** | 102 174 | **–** | – |
| | *Add:* Adjustment for options granted by share trust | **–** | 992 | **–** | – |
| | Weighted average shares for diluted earnings per share ('000) | **93 377** | 103 166 | **–** | – |

| | Group | | Company | |
|---|---|---|---|---|
| | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 |
| **6. EARNINGS PER SHARE (continued)** | | | | |
| **Attributable earnings per share (cents)** | **7,88** | 8,05 | **–** | – |
| Attributable earnings | **7 359** | 8 229 | **–** | – |
| Weighted average number of shares in issue ('000) | **93 377** | 102 174 | **–** | – |
| **Fully diluted earnings per share (cents)** | **7,88** | 7,98 | **–** | – |
| Attributable earnings | **7 359** | 8 229 | **–** | – |
| Diluted weighted average number of shares in issue ('000) | **93 377** | 103 166 | **–** | – |
| **Headline earnings** | | | | |
| Attributable earnings | **7 359** | 8 229 | **–** | – |
| **Headline earnings per share (cents)** | **7,88** | 8,05 | **–** | – |
| Headline earnings | **7 359** | 8 229 | **–** | – |
| Weighted average number of shares in issue ('000) | **93 377** | 102 174 | **–** | – |
| **Diluted headline earnings per share (cents)** | **7,88** | 7,98 | **–** | – |
| Headline earnings | **7 359** | 8 229 | **–** | – |
| Diluted weighted average number of shares in issue ('000) | **93 377** | 103 166 | **–** | – |
| **7. EQUIPMENT AND VEHICLES** | | | | |
| **Cost** | | | | |
| Computer equipment | **10 611** | 9 904 | **1 085** | 924 |
| Motor vehicles | **978** | 978 | **–** | – |
| Furniture, fittings and equipment | **13 719** | 12 231 | **1 120** | 1 096 |
| | **25 308** | 23 113 | **2 205** | 2 020 |
| **Accumulated depreciation** | | | | |
| Computer equipment | **8 074** | 8 103 | **641** | 629 |
| Motor vehicles | **779** | 635 | **–** | – |
| Furniture, fittings and equipment | **9 577** | 8 303 | **763** | 708 |
| | **18 430** | 17 041 | **1 404** | 1 337 |
| **Net book value at end of year** | | | | |
| Computer equipment | **2 537** | 1 801 | **444** | 295 |
| Motor vehicles | **199** | 343 | **–** | – |
| Furniture, fittings and equipment | **4 142** | 3 928 | **357** | 388 |
| | **6 878** | 6 072 | **801** | 683 |

| | Group | | Company | |
|---|---|---|---|---|
| | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 |
| **7. EQUIPMENT AND VEHICLES (continued)** | | | | |
| **Movement for the period** | | | | |
| Cost at beginning of period | **23 113** | 19 506 | **2 020** | 1 701 |
| Accumulated depreciation at beginning of period | **(17 041)** | (15 277) | **(1 337)** | (1 145) |
| **Net book value at beginning of period** | **6 072** | 4 229 | **683** | 556 |
| **Additions** | | | | |
| Computer equipment | **707** | 1 837 | **160** | 313 |
| Motor vehicles | **–** | 68 | **–** | – |
| Furniture, fittings and equipment | **1 538** | 2 510 | **25** | 6 |
| | **2 245** | 4 415 | **185** | 319 |
| **Depreciation** | | | | |
| Computer equipment | **(21)** | (972) | **(12)** | (122) |
| Motor vehicles | **(144)** | (195) | **–** | – |
| Furniture fittings and equipment | **(1 274)** | (1 405) | **(55)** | (70) |
| | **(1 439)** | (2 572) | **(67)** | (192) |
| **Net book value at end of year** | **6 878** | 6 072 | **801** | 683 |

The estimated useful lives of various computer equipment was increased during the year under review resulting in a reduction in the depreciation charge. The effect is a reduction in the current year depreciation of R423 000.

Motor vehicles with a book value of R73 000 (2011: R170 000) are encumbered as per note 22.

| | Group 12 months 2012 | Group 15 months 2011 | Company 12 months 2012 | Company 15 months 2011 |
|---|---|---|---|---|
| **8. INVESTMENT PROPERTY** | | | | |
| Fair value at the beginning of the period | **–** | – | **–** | – |
| Additions | **7 645** | – | **–** | – |
| Fair value at the end of the year | **7 645** | – | **–** | – |

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 Province.

These properties were acquired during the year in a multi-party transaction resulting in the exchange of long outstanding debtor claims for a fixed property asset and the application of cash for the acquisition of the balance of the property portfolio.

No independent valuation was obtained at year-end as the properties were acquired during the year under review at fair value and there is no indication of any changes in this fair value.

No income was earned from the investment properties during the year.

| | Group | | Company | |
|---|---|---|---|---|
| | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 |
| **9. GOODWILL** | | | | |
| Goodwill has been allocated for impairment testing purposes to the Group's operating divisions, which represents the lowest level of asset for which there are separate cash flows, which are not larger than the Group's operating segments reported in note 34, as follows: | | | | |
| Human Capital Outsourcing | **10 135** | 10 135 | | |
| Human Capital Development | **3 158** | 1 877 | | |
| Total goodwill excluding impairment | **13 293** | 12 012 | | |
| Current period addition to goodwill relates to the acquisition of the business of Sincedisa Consulting CC in the prior year which was accounted for using preliminary figures. | | | | |
| **Goodwill is attributable to the following cash-generating units:** | | | | |
| Primeserv Corporate Solutions Proprietary Limited | **3 158** | 1 877 | **–** | – |
| Primeserv Denverdraft Proprietary Limited | **2 730** | 2 730 | **–** | – |
| Primeserv Staff Dynamix Proprietary Limited | **7 405** | 7 405 | **–** | – |
| | **13 293** | 12 012 | **–** | – |
| **Impairment** | | | | |
| In accordance with accounting standards, the Group performs an annual test for impairment of its cash-generating units. 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 financial budgets approved by management and a discount rate of 20%. Cash flows have been extrapolated for a further ten years, at 3% growth, 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. | | | | |
| **10. INTANGIBLE ASSETS** | | | | |
| Trademarks | **810** | 810 | **–** | – |
| Premium arising on acquisition of contract – current year | **2 789** | – | **–** | – |
| Premium arising on acquisition of contract – brought forward | **100** | 100 | **–** | – |
| At cost | **3 699** | 910 | **–** | – |
| Accumulated amortisation and impairments | **(707)** | (309) | **–** | – |
| **Carrying value at end of period** | **2 992** | 601 | **–** | – |

The trademarks are considered to have indefinite used lives. There is no apparent legal or other restrictions to the use of the trademark or risk of technical or other obsolescence. Given the strategic importance of the trademarks to the future sustainability of the Group, the Group's intention is to continue to use the trademarks indefinitely. The directors consider that there is no foreseeable limit to the period over which these assets are expected to generate cash inflows for the Group and, on this basis, the directors have concluded that the indefinite useful life assumption is appropriate.

In accordance with the Group's accounting policy, an impairment test was performed on the carrying values of intangible assets with indefinite useful lives at period-end. The recoverable amount for trademarks has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management and a discount rate of 20%. Cash flows have been extrapolated for ten years, at 3% growth, which the directors believe is justified as it is a reasonable minimum period to expect the Group's operations to continue.

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

The premium arising on acquisition of contract is amortised over the period of the contract. The carrying amount at the end of the reporting period was R2 366 000 (2011 : R25 000). The remaining amortisation period is 48 months.

| | Group | | Company | |
|---|---|---|---|---|
| | 12 months ended 31 March 2012 R'000 | 15 months ended 31 March 2011 R'000 | 12 months ended 31 March 2012 R'000 | 15 months ended 31 March 2011 R'000 |
| **11. INVESTMENT IN SUBSIDIARIES** | | | | |
| Ordinary shares at cost | – | – | 2 | 2 |
| **Class A preference shares** | | | | |
| Cost | – | – | 79 800 | 79 800 |
| Impairment | – | – | (34 340) | (34 340) |
| **Net book value** | – | – | 45 460 | 45 460 |
| **Class B preference shares** | | | | |
| Cost | – | – | 83 312 | 83 312 |
| Impairment | – | – | (83 312) | (83 312) |
| Net book value | – | – | – | – |
| Preference dividend accrued | – | – | 30 089 | 30 314 |
| Impairment | – | – | (20 282) | (14 335) |
| Sub-total | – | – | 9 807 | 15 979 |
| **Net investment in subsidiaries** | – | – | 55 269 | 61 441 |
| Further information on the subsidiary companies is contained on page 90 of the financial statements. | | | | |
| **12. LONG-TERM RECEIVABLES** | | | | |
| Receivables to be collected in excess of one year and no interest has been charged | 1 214 | 1 214 | – | – |
| The effects of discounting were calculated and considered to be immaterial and the carrying amount approximates the instrument's fair value. | | | | |
| The loan is classified as an available-for-sale financial asset. | | | | |
| **13. INVESTMENT IN AND LOAN TO ASSOCIATE** | | | | |
| Balance at beginning of period | 2 874 | 334 | – | – |
| Movement in loans to associate company | 4 296 | 2 742 | – | – |
| Share of loss from associate | (1 355) | (202) | – | – |
| **Balance at end of year** | 5 815 | 2 874 | – | – |
| Comprises: | | | | |
| Share of profit/loss since acquisition | (3 152) | (1 797) | – | – |
| Carrying value of investment at cost | 8 967 | 4 671 | – | – |
| | 5 815 | 2 874 | – | – |
| The loan to the associate is classified as an available-for-sale financial asset. | | | | |
| The summarised financial information of the associate is as follows: | | | | |
| **Statement of comprehensive income** | | | | |
| Revenue | 32 332 | 64 262 | – | – |
| Net operating costs | (36 575) | (64 885) | – | – |
| Loss before taxation | (4 243) | (623) | – | – |
| Taxation | 423 | (146) | – | – |
| (Loss)/profit after taxation | (3 820) | (769) | – | – |

| | Group | | Company | |
|---|---|---|---|---|
| | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 |
| **13. INVESTMENT IN AND LOAN TO ASSOCIATE (continued)** | | | | |
| **Statement of financial position** | | | | |
| Equipment and vehicles | **86** | 62 | **–** | – |
| Goodwill | **4 877** | 4 877 | **–** | – |
| Deferred tax | **1 409** | 986 | **–** | – |
| Inventories | **26** | 45 | **–** | – |
| Trade and other receivables | **7 539** | 7 049 | **–** | – |
| Cash | **3** | 350 | **–** | – |
| Total assets | **13 940** | 13 369 | **–** | – |
| Trade, other payables and loans | **(20 886)** | (16 543) | **–** | – |
| Total shareholders' funds | **(6 946)** | (3 174) | **–** | – |
| The loan is unsecured, bears interest at the greater of 18% per annum and the prime bank overdraft rate plus 5% per annum, and has no fixed terms of repayment. | | | | |
| The Group has signed an unlimited cross-suretyship in respect of its associate company, Bathusi Staffing Services Proprietary Limited. | | | | |
| **14. DEFERRED TAX ASSET** | | | | |
| Computed tax losses* | **9 708** | 5 155 | **266** | – |
| Provisions | **1 513** | 1 676 | **–** | 272 |
| Prepayments | **(836)** | (230) | **(15)** | (24) |
| Capital allowances | **–** | – | **(41)** | – |
| Capital Gains Tax | **(286)** | (286) | **–** | – |
| Work-in-progress | **(637)** | (284) | **–** | – |
| Other | **–** | 1 374 | **–** | – |
| | **9 462** | 7 405 | **210** | 248 |
| *Reconciliation between deferred tax opening and closing balances* | | | | |
| Deferred tax opening balance | **7 405** | 6 077 | **248** | 670 |
| Computed tax losses | **4 553** | 2 151 | **266** | – |
| Provisions | **(163)** | 124 | **(272)** | (417) |
| Other | **(1 374)** | (883) | **–** | – |
| Prepayments | **(606)** | (74) | **9** | (5) |
| Capital allowances | **–** | – | **(41)** | – |
| Work-in-progress | **(353)** | 10 | **–** | – |
| Deferred tax at end of period | **9 462** | 7 405 | **210** | 248 |

* *Tax losses amounting to R17 410 000 (2011: R26 393 000) have not been recognised. Tax losses amounting to R34 677 000 (2011: R18 411 000) have been recognised on the basis of future sustainable profits that have been estimated for the next three financial years.*

| | Group | | Company | |
|---|---|---|---|---|
| | 12 months ended 31 March 2012 R'000 | 15 months ended 31 March 2011 R'000 | 12 months ended 31 March 2012 R'000 | 15 months ended 31 March 2011 R'000 |
| **15. ADVANCE TO THE SHARE TRUST** | | | | |
| Loan | – | – | **9 246** | 8 264 |
| Reversal of impairment | – | – | – | 182 |
| | – | – | **9 246** | 8 446 |
| Fair value of the shares at the end of the reporting period. | – | – | **10 609** | 10 747 |
| The loan was advanced to the Primeserv Group Limited Share Incentive Scheme for the acquisition of 22 571 354 (2011: 24 424 263) Primeserv Group Limited ordinary shares. | | | | |
| The loan is unsecured, interest-free and has no fixed terms of repayment. | | | | |
| **16. INVENTORIES** | | | | |
| Inventories comprise consumable goods including personal protective equipment, books, manuals and other course material | **532** | 1 017 | – | 10 |
| **17. TRADE AND OTHER RECEIVABLES** | | | | |
| Trade receivables | **86 641** | 64 922 | – | – |
| | **5 419** | 6 466 | **1 104** | 503 |
| Other receivables | **2 432** | 5 646 | **1 050** | 417 |
| Prepayments | **2 987** | 820 | **54** | 86 |
| | **92 060** | 71 388 | **1 104** | 503 |
| Trade receivables are encumbered as per note 24. | | | | |
| Based on the historic level of customer defaults the credit quality of period-end trade receivables which are not past due is considered to be high. In line with management judgement, trade receivables that are less than three months overdue have not been impaired. As at 31 March 2012, trade receivables of R18 496 000 (2011: R15 191 000) 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 ageing of trade receivables past due, but not impaired, is as follows: | | | | |
| 1 month overdue | **6 652** | 2 900 | – | – |
| 2 months overdue | **2 364** | 1 285 | – | – |
| 3 months and more overdue | **9 480** | 11 006 | – | – |
| | **18 496** | 15 191 | – | – |
| **Allowance for impairment (bad debt provision)** | | | | |
| Balance at beginning of period | **8 605** | 5 841 | – | – |
| Increase in allowances and impairments recognised in income statement | **10 844** | 2 764 | – | – |
| Application of provision against debtors | **(19 255)** | – | – | – |
| **Balance at end of period** | **194** | 8 605 | – | – |

The credit terms of receivables past due or impaired have not been renegotiated during the period.

**Credit risk exposure**
The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Trade and other receivables are classified as loans and receivables.

The Group does not hold any collateral as security.

| | Group | | Company | |
|---|---|---|---|---|
| | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 |
| **18. LOANS TO AND FROM SUBSIDIARIES** | | | | |
| Loans to subsidiaries | – | – | **70 510** | 67 735 |
| Loans from subsidiaries | – | – | **(59 430)** | (63 249) |
| Balance at end of period | – | – | **11 080** | 4 486 |
| Net movement for the period | – | – | **6 594** | 4 282 |
| The loans are unsecured and the borrower has the unconditional right not to repay the loan within 12 months from year-end. The balances will be settled on a net basis. No guarantees have been given or received. Loans receivable from subsidiaries of R44 630 000 (2011: R50 434 000) have been subordinated in favour of the remaining creditors of the subsidiaries until their assets, fairly valued, exceed their liabilities. | | | | |
| Loans to subsidiaries are classified as available-for-sale financial assets. As the loans have no fixed terms of repayment, the carrying amount and fair value equal the face values of the loans. | | | | |
| The maximum exposure to credit risk at the reporting date is the fair value of each loan listed above. | | | | |
| Loans from subsidiaries are measured at amortised cost. As the loans have no fixed terms of repayment, the carrying amount and the fair value equal the face values of the loans. | | | | |
| **19. ORDINARY SHARE CAPITAL** | | | | |
| *Authorised* | | | | |
| 500 000 000 ordinary shares of 1 cent each | **5 000** | 5 000 | **5 000** | 5 000 |
| *Issued* | | | | |
| 132 062 743 (2009: 132 062 743) ordinary shares of 1 cent each | **1 321** | 1 321 | **1 321** | 1 321 |
| There are nil (2011: nil) shares to be issued in respect of shares outstanding in terms of the Primeserv Group Limited Share Incentive Scheme. | | | | |
| **Reconciliation of shares in issue:** | | | | |
| Shares in issue | **91 828 767** | 95 231 191 | – | – |
| Treasury shares | **40 233 976** | 36 831 552 | – | – |
| Issued shares | **132 062 743** | 132 062 743 | – | – |
| **20. NON-DISTRIBUTABLE RESERVE** | | | | |
| Excess arising from intangible asset write-down in the Group, as adjusted for subsequent impairment changes in investments in subsidiaries | – | – | **63 205** | 69 152 |

| | Group | | Company | |
|---|---|---|---|---|
| | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 |
| **21. TREASURY SHARES** | | | | |
| Comprises 40 233 976 (2011: 36 831 552) Primeserv Group Limited ordinary shares held in the Group and 5 166 724 (2011: 1 761 800) shares held in the Company | **15 575** | 12 545 | **2 048** | 646 |
| **22. FINANCIAL LIABILITIES** | | | | |
| **Finance agreements** | | | | |
| Total owing | **40** | 157 | **–** | – |
| Current portion included with short-term loans | **(40)** | (116) | **–** | – |
| Non-current portion | **–** | 41 | **–** | – |

The loans are repayable in monthly instalments, inclusive of interest, at rates varying from 7,0% to 8,5% (2011: 8,5% to 13,5%) and are secured over relevant equipment and vehicles, with a book value of R73 000 (2011: R170 000).

| | Finance lease commitments | Prepaid finance charges | Capital amount |
|---|---|---|---|
| **Finance lease commitments** | | | |
| **2012** | | | |
| Payable within one year – vehicles | 41 | **(1)** | **40** |
| Payable two to five years – vehicles | – | – | – |
| | **41** | **(1)** | **40** |
| 2011 | | | |
| Payable within one year – vehicles | 124 | (8) | 116 |
| Payable two to five years – vehicles | 42 | (1) | 41 |
| | 166 | (9) | 157 |

| | Group | | Company | |
|---|---|---|---|---|
| | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 |
| **22. FINANCIAL LIABILITIES (continued)** | | | | |
| **Vendor liability** | | | | |
| Current portion | **1 281** | 851 | **–** | – |
| Non-current portion | **–** | 591 | **–** | |
| | **1 281** | 1 442 | **–** | – |
| The liability is unsecured and interest-free. It is payable in instalments with a final payment in October 2012. | | | | |
| Total financial liabilities | | | | |
| Current portion | **1 321** | 967 | **–** | – |
| Non-current portion | **–** | 632 | **–** | – |
| | **1 321** | 1 599 | **–** | – |
| **Short-term loan** | | | | |
| Short-term bank finance bearing interest at the prime overdraft rate to be converted to mortgage finance to be secured over a portion of the Group's investment properties | **4 388** | – | **–** | – |
| | **4 388** | – | **–** | – |
| **Borrowing powers** | | | | |
| In terms of the Company's Memorandum of Incorporation, the borrowing powers of the Company are unlimited | | | | – |
| **23. TRADE AND OTHER PAYABLES** | | | | |
| Trade payables | **6 022** | 4 330 | **851** | 380 |
| Payroll payables | **18 153** | 15 460 | **385** | 2 878 |
| Other accruals and sundry creditors | **6 225** | 5 291 | **–** | – |
| | **30 400** | 25 081 | **1 236** | 3 258 |
| Trade and other payables are measured at amortised cost. | | | | |
| **24. BANK BORROWINGS** | | | | |
| The bank overdraft is secured over the book debt of Primeserv Training Proprietary Limited, Primeserv Recruitment Proprietary Limited and Primeserv Corporate Solutions Proprietary Limited and bears interest at the prime bank overdraft rate per annum. | **40 545** | 26 555 | **–** | – |

## 25. DIRECTORS' REMUNERATION

| | Directors' fees R'000 | Remune-ration R'000 | Benefits R'000 | Allow-ances R'000 | Bonuses R'000 | Share options exercised R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| The remuneration paid to directors of the Company, whilst in office during the year ended 31 March 2012, is analysed as follows: | | | | | | | |
| **Executive Directors** | – | 6 117 | 869 | 638 | – | – | 7 624 |
| M Abel | – | 3 292 | 412 | 252 | – | – | 3 956 |
| AT McMillan | – | 1 805 | 259 | 204 | – | – | 2 268 |
| R Sack | – | 1 020 | 198 | 182 | – | – | 1 400 |
| **Non-Executive Directors** | 585 | – | – | – | – | – | 585 |
| JM Judin | 135 | – | – | – | – | – | 135 |
| S Klein | 90 | – | – | – | – | – | 90 |
| LM Maisela | 90 | – | – | – | – | – | 90 |
| DL Rose | 125 | – | – | – | – | – | 125 |
| DC Seaton * | 75 | – | – | – | – | – | 75 |
| CS Shiceka | 70 | – | – | – | – | – | 70 |
| | 585 | 6 117 | 869 | 638 | – | – | 8 209 |

* *Professional services provided by DC Seaton are described in note 30. DC Seaton was appointed as an executive director on 29 June 2012.*

| | Directors' fees R'000 | Remune-ration R'000 | Benefits R'000 | Allow-ances R'000 | Bonuses R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| The remuneration paid to directors of the Company, whilst in office during the fifteen months ended 31 March 2011, is analysed as follows: | | | | | | |
| **Executive Directors** | – | 7 210 | 817 | 565 | 1 170 | 9 762 |
| M Abel | – | 3 865 | 392 | 225 | 670 | 5 152 |
| AT McMillan | – | 2 088 | 296 | 255 | 400 | 3 039 |
| R Sack | – | 1 257 | 129 | 85 | 100 | 1 571 |
| **Non-Executive Directors** | 1 483 | – | – | – | 100 | 1 583 |
| JM Judin | 363 | – | – | – | – | 363 |
| S Klein | 219 | – | – | – | – | 219 |
| LM Maisela | 219 | – | – | – | – | 219 |
| DL Rose | 300 | – | – | – | – | 300 |
| DC Seaton * | 219 | – | – | – | 100 | 319 |
| CS Shiceka | 163 | – | – | – | – | 163 |
| | 1 483 | 7 210 | 817 | 565 | 1 270 | 11 345 |

* *Consulting services provided by DC Seaton are fully recorded under note 30.*

There are no directors where the remaining period of the service contract exceeds three years and the notice period exceeds three months.

Allowances paid to directors include travel allowances.

| | No of options as at 31 Mar 2011 | No of options (exercised) during the period | No of options (lapsed)/issued during the period | No of options as at 31 Mar 2012 | Option price (cents) | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|
| **26. SHARE-BASED PAYMENTS** | | | | | | | |
| **2012** | | | | | | | |
| The interest of the executive directors and employees provided in the form of options are shown in the table below: | | | | | | | |
| M Abel | **1 617 909** | **(1 617 909)** | **–** | **–** | **16** | **08/11/2000** | **31/05/2012** |
| M Abel | **235 000** | **(235 000)** | **–** | **–** | **20** | **05/09/2003** | **04/09/2013** |
| M Abel | **1 555 000** | **–** | **(1 555 000)** | **–** | **56** | **07/11/2008** | **30/06/2011** |
| AT McMillan | **700 000** | **–** | **(700 000)** | **–** | **56** | **07/11/2008** | **30/06/2011** |
| DC Seaton | **1 000 000** | **–** | **(1 000 000)** | **–** | **56** | **07/11/2008** | **30/06/2011** |
| | **5 107 909** | **(1 852 909)** | **(3 255 000)** | **–** | | | |

| | No of options as at 31 Dec 2009 | No of options (exercised) during the year | No of options (lapsed)/issued during the year | No of options as at 31 Mar 2011 | Option price (cents) | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|
| 2011 | | | | | | | |
| The interest of the executive directors and employees provided in the form of options are shown in the table below: | | | | | | | |
| M Abel | 1 617 909 | – | – | 1 617 909 | 16 | 08/11/2000 | 31/05/2012 |
| M Abel | 235 000 | – | – | 235 000 | 20 | 05/09/2003 | 04/09/2013 |
| M Abel | 1 555 000 | – | – | 1 555 000 | 56 | 07/11/2008 | 30/06/2011 |
| AT McMillan | 700 000 | – | – | 700 000 | 56 | 07/11/2008 | 30/06/2011 |
| DC Seaton | 1 000 000 | – | – | 1 000 000 | 56 | 07/11/2008 | 30/06/2011 |
| Employees | 5 280 | (5 280) | – | – | 16 | 01/06/2000 | 31/05/2010 |
| Employees | 470 000 | – | (470 000) | – | 22 | 08/01/2007 | 07/01/2010 |
| Employees | 520 000 | – | (520 000) | – | 50 | 12/03/2007 | 11/03/2010 |
| | 6 103 189 | (5 280) | (990 000) | 5 107 909 | | | |
| Weighted average strike price at 31 March 2011 | | | | | 41,67 | | |

Share options are granted to selected directors and selected employees. The exercise price of the granted options is the cost of the unissued shares in the share trust at the date the options are granted or 90% of the ruling market price as at the grant date. The options vest and are exercisable over periods of time up to 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The weighted average fair value of options granted during the year is calculated using the Black-Scholes valuation model and is expensed over the vesting period. The significant inputs into the model include the weighted average share price at the grant date, the exercise price, a risk-free interest rate assumption and the volatility of the share measured as the standard deviation of the share price based on an analysis of the daily share price over the same period as the vesting period measured retrospectively. During the period an amount of R10 000 (2011: R115 000) was charged against income in respect of options granted.

**27. CONTINGENT LIABILITIES**

The Company and certain of its subsidiaries have signed surety to FirstRand Bank Limited in favour of its subsidiaries and associate for debtors financing and normal banking facilities granted. The net amount outstanding in the subsidiaries and associate in respect of these facilities at period-end is R44 438 000 (2011: R31 659 000).

**28. RISK MANAGEMENT**

The nature of key risks to which the Group is exposed are categorised as follows:

**Interest rate risk**

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 variances of 200 basis points in the interest rate, the effect on pre-tax earnings of an increase in the rate is calculated to be a decrease in earnings of R962 000 (2011: R574 000), while the effect of a decrease in the rate is calculated to increase earnings by R980 000 (2011: R585 000).

**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 pledges its debtors in support of its borrowings.

The Company 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.

**Credit risk**

The Group maintains cash, cash equivalents and short-term investments with various financial institutions. The Group's policy is designed to limited 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.

Credit risk within the Human Capital Outsourcing segment is mitigated through a process of credit assessments as well as the use of credit insurance where available. Within the Human Capital Development segment all new debtors are subject to an internal assessment process, but without the use of credit insurance.

**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.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 22 and 24, 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.

**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 Group's exposure.

**Fair value**

The carrying amounts of financial instruments are either at fair value based on the methods and assumptions for determining the fair value as stated in the Accounting Policies, or at values which approximate fair value based on the nature or maturity period of the financial instrument.

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 carrying amounts of financial liabilities approximate fair values.

**29. 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 period amounted to R2,5 million (2011: R2,9 million) with 64% of employees (which include temporary and those on limited duration contracts) belonging to the pension fund.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 12 months ended 31 March 2012 R'000 | 15 months ended 31 March 2011 R'000 | 12 months ended 31 March 2012 R'000 | 15 months ended 31 March 2011 R'000 |
| **30. RELATED PARTY TRANSACTIONS** | | | | |
| Arm's length trading transactions occur between subsidiaries and divisions within the Group companies and are eliminated on consolidation of the financial statements. Transactions between the holding company, its subsidiaries and associate company relate to fees and interest and these are reflected as income in the Company's statement of comprehensive income | | | | |
| **Transactions with subsidiary companies (detailed on page 90)** | | | | |
| – Management fees from subsidiaries | – | – | 5 525 | 6 906 |
| – Preference dividends from subsidiaries | – | – | 3 076 | 8 362 |
| – Interest received | – | – | 4 657 | 4 400 |
| **Transactions with associate company (detailed in note 13)** | | | | |
| – Interest received | 1 401 | 957 | – | – |
| – Management fees received | 2 127 | 3 675 | – | – |
| **Amounts included in trade and other receivables/payables regarding related parties to be settled on a net basis** | | | | |
| – Amounts due to subsidiaries | – | – | 1 149 | 583 |
| – Amounts due from subsidiaries | – | – | 7 484 | 6 225 |

The names of the directors are listed on page 8. Refer to note 25 for details of the director's emoluments.

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 the executive directors M Abel and AT McMillan (resigned 29 June 2012). Refer to note 25 for disclosure of key management remuneration. 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% above the ruling market price.

Refer to note 18 for intercompany loan balances.

Refer to note 13 for details on loan to associate.

During the year, the Company paid Rnil (2011: R50 000) to Village Management Consulting Proprietary Limited, being a related party to a director, LM Maisela, for consulting services rendered.

During the year, the Company paid R1 163 000 (2011: R1 247 000) to DC Seaton, a director, for consulting services rendered.

**31. CAPITAL COMMITMENTS**

The Group does not have any material capital commitments planned or actual for the forthcoming year.

| | Group | | Company | |
|---|---|---|---|---|
| | 12 months ended 31 March 2012 R'000 | 15 months ended 31 March 2011 R'000 | 12 months ended 31 March 2012 R'000 | 15 months ended 31 March 2011 R'000 |
| **32. PRIOR YEAR ERRORS** | | | | |
| **GROUP** | | | | |
| During the year under review an overstatement of gross profit margins and, hence, gross profit was identified within specific geographic regions of the Outsourcing Division, requiring a write-off of payroll clearing and provision accounts. The resultant corrections affected the statements of comprehensive income, financial position and statement of changes in equity as detailed below: | | | | |
| **Effect on statement of financial position** | | | | |
| Net adjustment to opening balances at 31 December 2009 | – | 5 643 | – | – |
| Tax effect – deferred taxation | – | (1 581) | – | |
| | | 4 062 | | |
| Non-controlling interest | – | (156) | – | – |
| Decrease in distributable reserves | – | 3 906 | – | – |
| Adjustment in respect of the period ended 31 March 2011 | – | 1 524 | – | – |
| Tax effect – deferred taxation | – | (426) | – | – |
| | | 1 098 | | |
| Non-controlling interest | – | (42) | – | – |
| Decrease in comprehensive income attributable to ordinary shareholders of the Company for the period ended 31 March 2011 | – | 1 056 | – | – |

| | | As previously reported | Amount of correction | Restated |
|---|---|---|---|---|
| 2011 | | | | |
| **Effect on earnings per share** | | | | |
| Earnings per share (cents) | | 9,08 | (1,03) | 8,05 |
| Diluted earnings per share (cents) | | 9,00 | (1,02) | 7,98 |
| **Statement of financial position** | | | | |
| Deferred tax asset (R'000) | | 5 398 | 2 007 | 7 405 |
| Trade and other payables (R'000) | | 17 914 | 7 167 | 25 081 |
| **Statement in changes in equity** | | | | |
| Distributable reserves (R'000) | | 87 678 | (4 962) | 82 716 |
| Non-controlling interest (R'000) | | (68) | (198) | (266) |

**COMPANY**

The impairment reversal against the investment in subsidiaries in the Company's separate financial statements was previously incorrectly transferred directly to non-distributable reserves, instead of being recognised in the statement of comprehensive income. The effect of this error on the financial results of the Company for the 15 months ended 31 March 2011 was as follows:

| | As previously reported | Amount of correction | Restated |
|---|---|---|---|
| Profit before taxation | 11 210 | 3 325 | 14 535 |
| Total comprehensive income for the period | 9 901 | 3 325 | 13 226 |

There was no tax effect and no effect on the opening statement of financial position.

| | Group | | Company | |
|---|---|---|---|---|
| | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 | **12 months ended 31 March 2012 R'000** | 15 months ended 31 March 2011 R'000 |
| **33. OPERATING LEASE COMMITMENTS** | | | | |
| **Operating lease commitments** | | | | |
| Future operating lease charges for property, plant and equipment | | | | |
| Payable within one year | | | | |
| – premises | **2 974** | 2 490 | **–** | 586 |
| – vehicles and equipment | **1 890** | 1 783 | **–** | – |
| | **4 864** | 4 273 | **–** | 586 |
| Payable two to five years | | | | |
| – premises | **2 852** | 2 228 | **–** | 154 |
| – vehicles and equipment | **2 828** | 3 522 | **–** | – |
| | **5 680** | 5 750 | **–** | 154 |

There are no lease commitments beyond the five-year period. Leases on some premises are subject to escalation with renewal options at the Group's discretion. No contingent rent is payable.

| | Human Capital Outsourcing R'000 | Human Capital Development R'000 | Central Services R'000 | Group Consolidated R'000 |
|---|---|---|---|---|
| **34. SEGMENTAL ANALYSIS – OPERATING SEGMENTS** | | | | |
| **2012** | | | | |
| Revenue: sales to external customers | **546 255** | **60 709** | **–** | **606 964** |
| Revenue: deemed interest to external customers | **6 054** | **127** | **–** | **6 181** |
| Revenue: inter-segment revenue | **–** | **5 424** | **–** | **5 424** |
| Share of loss from associate | **(1 355)** | **–** | **–** | **(1 355)** |
| Operating profit/(loss) | **10 369** | **(1 206)** | **(3 544)** | **5 619** |
| Net profit/(loss) before taxation | **2 248** | **528** | **2 753** | **5 529** |
| Capital additions | **553** | **1 506** | **7 831** | **9 890** |
| Depreciation | **441** | **930** | **68** | **1 439** |
| Interest received | **1 483** | **1 808** | **2 964** | **6 255** |
| Interest paid | **(3 854)** | **(1 129)** | **(7)** | **(4 990)** |
| Taxation | **(31)** | **(1 203)** | **(15)** | **(1 249)** |
| Investment in associate | **5 815** | **–** | **–** | **5 815** |
| Assets | **111 278** | **32 346** | **7 762** | **151 386** |
| Liabilities | **26 581** | **10 627** | **40 648** | **77 856** |
| 2011 | | | | |
| Revenue: sales to external customers | 606 007 | 59 274 | – | 665 281 |
| Revenue: inter-segment revenue | – | 109 | – | 109 |
| Share of loss from associate | (202) | – | – | (202) |
| Operating profit/(loss) | 16 564 | (2 766) | (4 953) | 8 845 |
| Net profit/(loss) before taxation | 5 723 | (5 888) | 8 772 | 8 607 |
| Capital additions | 442 | 3 654 | 319 | 4 415 |
| Depreciation | 1 024 | 1 356 | 192 | 2 572 |
| Interest received | 125 | 22 | 4 573 | 4 720 |
| Interest paid | (4 119) | (637) | – | (4 756) |
| Taxation | (87) | (179) | 1 499 | 1 233 |
| Investment in associate | 2 874 | – | – | 2 874 |
| Assets | 85 180 | 25 239 | 17 414 | 127 833 |
| Liabilities | 1 144 | 4 178 | 49 615 | 54 937 |

### 34. SEGMENTAL ANALYSIS – OPERATING SEGMENTS (continued)

All segments traded in South Africa during the current period.

Any assets or liabilities that cannot be attributed directly to a segment are allocated to Central Services.

The Human Capital Outsourcing segment provides flexible staffing solutions.

The Human Capital Development segment provides computer literacy training, vocational skills training, a comprehensive range of corporate and technical training services and HR solutions.

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 trade and other payables 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 determined per the Group's transfer pricing policy.

The Human Capital Outsourcing segment traded with a particular customer whose revenue exceeded 10% of the segment's revenue.

### 35. FINANCIAL LIABILITIES – MATURITY ANALYSIS

| Contractual undiscounted cash flows from: | 1 month | 2 to 3 months | 4 to 6 months | 7 to 12 months | More than a year | Carrying amount |
|---|---|---|---|---|---|---|
| **GROUP – 2012** | | | | | | |
| Finance lease obligations | **10** | **20** | **10** | **–** | **–** | **41** |
| Trade and other payables | **21 893** | **1 826** | **808** | **5 873** | **–** | **30 400** |
| Vendor obligation | **–** | **–** | **641** | **640** | **–** | **1 281** |
| Taxation payable | **–** | **1 202** | **–** | **–** | **–** | **1 202** |
| Short-term loan | **–** | **–** | **4 388** | **–** | **–** | **4 388** |
| Bank borrowings* | **40 545** | **–** | **–** | **–** | **–** | **40 545** |
| | **62 448** | **3 048** | **5 847** | **6 513** | **–** | **77 857** |
| GROUP – 2011 | | | | | | |
| Finance lease obligations | 10 | 21 | 31 | 62 | 41 | 166 |
| Trade and other payables | 16 977 | 1 777 | 583 | 5 744 | – | 25 081 |
| Vendor obligation | – | – | 851 | – | 591 | 1 442 |
| Taxation payable | – | 1 702 | – | – | – | 1 702 |
| Bank borrowings * | 26 555 | – | – | – | – | 26 555 |
| | 43 542 | 3 500 | 1 465 | 5 806 | 632 | 54 946 |

* *Bank borrowings relate to facilities which revolve from month to month.*

| Contractual undiscounted cash flows from: | 1 month | 2-3 months | 4-6 months | 7-12 months | More than a year | Carrying Amount |
|---|---|---|---|---|---|---|
| **FINANCIAL LIABILITIES – MATURITY ANALYSIS** | | | | | | |
| **COMPANY – 2012** | | | | | | |
| Loans from subsidiaries | **–** | **–** | **–** | **–** | **59 430** | **59 430** |
| Trade and other payables | **1 236** | **–** | **–** | **–** | **–** | **1 236** |
| Taxation payable | **–** | **–** | **–** | **972** | **–** | **972** |
| | **1 236** | **–** | **–** | **972** | **59 430** | **61 638** |
| COMPANY – 2011 | | | | | | |
| Loans from subsidiaries | – | – | – | – | 63 249 | 63 249 |
| Trade and other payables | 3 258 | – | – | – | – | 3 258 |
| Taxation payable | – | – | – | 1 247 | – | 1 247 |
| | 3 258 | – | – | 1 247 | 63 249 | 67 754 |

# DETAILS OF SUBSIDIARY COMPANIES AND ASSOCIATE COMPANY

as at 31 March 2012

| | | | | | | | | | Amount owing by/(to) subsidiaries | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Country of incorporation | Ordinary share capital R | Portion held directly or indirectly by holding Company % | Book value of shares at cost R | Class A preference share capital R | Portion held directly or indirectly by holding Company % | Class B preference share capital R | Portion held directly or indirectly by holding Company % | **31 Mar 2012 R'000** | 31 Dec 2011 R'000 |
| African Recruitment Manpower Proprietary Limited # | South Africa | 160 | 100,0 | – | | | | | **–** | (841) |
| Bathusi Recruitment Proprietary Limited* | South Africa | 100 | 49,0 | 49 | | | | | **–** | – |
| Empvest Outsourcing Proprietary Limited* | South Africa | 1 000 | 35,8 | 482 | | | | | **819** | 991 |
| Ibiza Trading 7 Proprietary Limited # | South Africa | 100 | 100,0 | – | | | | | **–** | (255) |
| Primeserv ABC Recruitment Proprietary Limited | South Africa | 100 | 74,2 | 74 | 370 | 100 | 448 | 74,2 | **17 334** | 18 573 |
| Primeserv Corporate Solutions Proprietary Limited | South Africa | 100 | 74,2 | 74 | 37 | 100 | 618 | 74,2 | **(179)** | 629 |
| Primeserv Denverdraft Proprietary Limited | South Africa | 100 | 100,0 | 100 | | | | | **2 676** | 2 495 |
| Primeserv Employee Solutions Proprietary Limited | South Africa | 100 | 74,2 | 74 | 392 | 100 | 276 | 74,2 | **(55 226)** | (58 366) |
| Primeserv Productivity Services Proprietary Limited | South Africa | 100 | 100,0 | 100 | | | | | **796** | 1 115 |
| Primeserv Recruitment Proprietary Limited | South Africa | 100 | 100,0 | 100 | | | | | **(3 694)** | (3 456) |
| Primeserv Staff Dynamix Proprietary Limited | South Africa | 100 | 74,2 | 100 | | | | | **1 665** | 790 |
| Primeserv Technical Training Proprietary Limited | South Africa | 100 | 74,2 | 100 | | | | | **–** | – |
| Primeserv Training Proprietary Limited | South Africa | 100 | 100,0 | 100 | | | | | **47 182** | 43 104 |
| Thuso Outsourcing Proprietary Limited | South Africa | 100 | 70,0 | 70 | | | | | **(331)** | (331) |
| Primeserv Properties 1 Proprietary Limited | South Africa | 100 | 100,0 | 100 | | | | | **19** | 19 |
| Primeserv Properties 2 Proprietary Limited | South Africa | 100 | 100,0 | 100 | | | | | **19** | 19 |
| Primeserv Properties 3 Proprietary Limited | South Africa | 100 | 100,0 | 100 | | | | | **–** | – |
| Primeserv Properties 4 Proprietary Limited | South Africa | 100 | 100,0 | 100 | | | | | **–** | – |
| | | | | 1 823 | | | | | **11 080** | 4 486 |
| | | | | | | | | Amounts owing by subsidiaries | **70 510** | 67 735 |
| | | | | | | | | Amounts owing to subsidiaries | **(59 430)** | (63 249) |
| | | | | | | | | | **11 080** | 4 486 |

## NOTES

Bathusi Staffing Services Proprietary Limited became an associate with effect from 29 January 2005 and was therefore deconsolidated from the Group's results and equity accounted as from that date. The Group holds a 45% (2011: 45%) interest in the associate.

The HR Solutions businesses operate through Primeserv Corporate Solutions Proprietary Limited, Primeserv Training Proprietary Limited, Primeserv Recruitment Proprietary Limited and Thuso Outsourcing Proprietary Limited.

The Colleges businesses operate through Primeserv Training Proprietary Limited and Ibiza Trading 7 Proprietary Limited.

The Outsourcing businesses operate through Primeserv Employee Solutions Proprietary Limited, Primeserv ABC Recruitment Proprietary Limited, Primeserv Staff Dynamix Proprietary Limited, Empvest Outsourcing Proprietary Limited, Primeserv Denverdraft Proprietary Limited and Bathusi Staffing Services Proprietary Limited.

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

Bathusi Recruitment Proprietary Limited, Primeserv Technical Training Proprietary Limited and Thuso Outsourcing Proprietary Limited are dormant.

Primeserv Properties1 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.

* *These companies are treated as subsidiaries of Primeserv Group Limited as it has effective power to govern the financial and operating policies of the enterprise and therefore obtains benefits from their activities.*

# African Recruitment Manpower Proprietary Limited and Ibiza Trading 7 Proprietary Limited were deregistered during the year.

# ANALYSIS OF SHAREHOLDING

as at 31 March 2012

| | Number of shareholders | Number of shares held | % shareholding |
|---|---|---|---|
| **PORTFOLIO SIZE** | | | |
| 1 – 50 000 shares | 426 | 2 385 788 | 1,8 |
| 50 001 – 500 000 shares | 76 | 11 572 290 | 8,8 |
| 500 001 – 5 000 000 shares | 23 | 41 681 087 | 31,5 |
| over 5 000 000 shares | 6 | 76 423 578 | 57,9 |
| | 531 | 132 062 743 | 100,0 |
| **CATEGORY** | | | |
| Directors (beneficial, non-beneficial, direct and indirect), management and treasury shares * | 22 | 68 833 847 | 52,1 |
| Nominee companies and schemes | 2 | 9 200 | – |
| Individual and other corporate bodies | 507 | 63 219 696 | 47,9 |
| | 531 | 132 062 743 | 100,0 |
| **INTERESTS OF 5% OR GREATER** | | | |
| Primeserv Group Limited Share Trust | | 22 571 354 | 17,1 |
| M Abel | | 21 396 721 | 16,2 |
| Primeserv Productivity Services Proprietary Limited (treasury shares) | | 10 645 489 | 8,1 |
| The Boles Family Trust | | 9 516 000 | 7,2 |
| | | 64 129 564 | 48,6 |
| **SHAREHOLDER SPREAD** | | | |
| Total non-public shareholders * | 22 | 68 833 847 | 52,1 |
| Public shareholders | 509 | 63 228 896 | 47,9 |
| | 531 | 132 062 743 | 100,0 |

** Non-public shareholders include the directors' beneficial, direct and indirect shareholding and companies controlled by the directors.*

The above is based on information obtained from STRATE and does not necessarily take into account all movements due to their own internal cut-offs. Accordingly, certain values may not necessarily agree with what is contained in the financial report.

# MARKET STATISTICS

as at 31 March 2012

| | 2012<br>R'000 | 2011<br>R'0000 |
|---|---|---|
| **JSE LIMITED PERFORMANCE PER SHARE** | | |
| Year-end closing market price of ordinary shares (cents) | **47** | 44 |
| High closing market price of ordinary shares (cents) | **64** | 50 |
| Low closing market price of ordinary shares (cents) | **32** | 25 |
| Volume of shares traded (million) | **27** | 25 |
| Value of shares traded (R'000) | **10 137** | 8 883 |
| **NUMBER OF SHARES IN ISSUE** | | |
| Opening balances (including treasury shares) | **132 062 743** | 132 062 743 |
| Closing balances (including treasury shares) | **132 062 743** | 132 062 743 |
| Market capitalisation at year-end (R'000) | **62 069** | 58 108 |
| Market capitalisation at year-end (excluding treasury shares) (R'000) | **44 029** | 46 400 |

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 stockbroker, attorney, accountant or other professional adviser immediately.**

Notice is hereby given in terms of section 62(1) of the Companies Act, Act 71 of 2008 as amended ("the Act"), that the annual general meeting of the shareholders of Primeserv Group Limited ("Primeserv") will be held at Primeserv Training, 1st Floor, Hanover Square, Building B, Corner Hendrik Potgieter and 7th Avenue, Edenvale at 9:00 on Thursday, 22 November 2012, for the following:

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

## AS ORDINARY RESOLUTIONS

As specified by section 62(3)(c)of the Companies Act (71 of 2008), as amended, (the Companies 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% of votes exercised in regard to the resolution.

### ANNUAL FINANCIAL STATEMENTS

1. To receive and consider the Company annual financial statements and Group annual financial statements for the year ended 31 March 2012, together with the reports of the directors, external auditor and the Group Audit, Governance and Risk Committee

   **Additional information in respect of Ordinary Resolution Number 1**

   The complete audited annual financial statements, including the Directors' Report, Auditor's Report and the Report by the Audit, Governance and Risk Committee of the Company and the Group for the year ended 31 March 2012 is included in the Integrated Report of which this notice forms a part.

### APPOINTMENT OF AUDITORS

2. Subject to the Group Audit, Governance and Risk Committee continuing to be satisfied of their independence, to confirm the appointment of the Company's auditors, Charles Orbach & Company, as independent auditors of the Company and to appoint Lennard Vroom as the designated auditor for the following year, to hold office until the conclusion of the annual general meeting of the Company to be held in 2013.

### RE-ELECTION OF DIRECTORS

3. To re-elect directors who retire by rotation in accordance with the Company's Memorandum of Incorporation.

   The following directors retire by rotation in accordance with the Company's Memorandum of Incorporation:
   - Prof S Klein
   - CS Shiceka
   - R Sack

3.1 To re-elect as director Prof S Klein, who retires by rotation and, being eligible, offers himself for re-election in terms of the Company's Memorandum of Incorporation.

Saul Klein (53)
B(Econ), MBA, PhD

Saul Klein is an Independent Non-Executive Director of Primeserv Group Limited and was appointed to the Board in March 1998. Saul is the Dean and Landsdowne Professor of the Faculty of International Business, Gustauson School of Business, University of Victoria (Canada). Saul held the South African Breweries Limited Chair of International Business, and was Professor of Marketing at the Wits Business School. He has also held academic appointments at leading universities in Canada, the USA, Singapore and Australia.

3.2 To re-elect as director CS Shiceka, who retires by rotation and, being eligible, offers herself for re-election in terms of the Company's Memorandum of Incorporation.

Cleopatra Shiceka (47)
BA Law, HDip Tax Law

Cleopatra is currently the General Manager, Office of the Chief Executive, of Transnet Freight Rail, responsible for legal services and compliance. She previously held the same position at the Transnet National Port Authority. She currently serves as General Counsel on the Executive Board of the Union of African Railways, a specialised agency of the African Union. She also serves on a committee that advises the Executive Board of the International Association of Railways (UIC) in Paris. She is a Non-Executive Director of Gabcon. Cleopatra has significant local and international commercial and regulatory experience in the freight and logistics industry, both from a maritime and intermodal perspective. She was previously a consultant in the specialised finance department of one of South Africa's leading investment banks. Cleopatra holds a Bachelor of Arts in Law and Bachelor of Laws degrees from the University of Swaziland and a Higher Diploma in Tax Law from the University of the Witwatersrand.

3.3 To re-elect as director R Sack, who retires by rotation and, being eligible, offers himself for re-election in terms of the Company's Memorandum of Incorporation.

Raphael Sack (45)
BComm, BCompt(Hons), CA (SA)

Raphael has been with the Group for six years and has been a director of various of the subsidiary companies during this time. Prior to this he was the financial director of various other companies including Spanjaard Limited, a company also listed on the JSE.

ELECTION OF AUDIT COMMITTEE

4. To elect and confirm the members of the Audit, Governance and Risk Committee to hold office until the conclusion of the next annual general meeting.

   4.1 To elect as Audit, Governance and Risk Committee member DL Rose for the ensuing year.

   David L Rose (70)
   BCom, BA, CA(SA), F.Inst.D

   David is an independent consultant. He spent 41 years with Fisher Hofman, a major national firm of Chartered Accountants. He became a partner of 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 is a Non-Executive Director of Super Group Limited.

   4.2 To elect as Audit, Governance and Risk Committee member Prof S Klein for the ensuing year.

   Saul Klein (53)
   B(Econ), MBA, PhD

   Saul Klein is an Independent Non-Executive Director of Primeserv Group Limited and was appointed to the Board in March 1998. Saul is the Dean and Landsdowne Professor of the Faculty of International Business, Gustauson School of Business, University of Victoria (Canada). Saul held the South African Breweries Limited Chair of International Business, and was Professor of Marketing at the Wits Business School. He has also held academic appointments at leading universities in Canada, the USA, Singapore and Australia.

   4.3 To elect as Audit, Governance and Risk Committee member CS Shiceka for the ensuing year.

   Cleopatra Shiceka (47)
   BA Law, HDip Tax Law

   Cleopatra is currently the General Manager, Officeof the Chief Executive, of Transnet Freight Rail, responsible for legal services and compliance. She previously held the same position at the Transnet National Port Authority. She currently serves as General Counsel on the Executive Board of the Union of African Railways, a specialised agency of the African Union. She also serves on a committee that advises the Executive Board of the International Association of Railways (UIC) in Paris. She is a Non-Executive Director of Gabcon. Cleopatra has significant local and international commercial and regulatory experience in the freight and logistics industry, both from a maritime and intermodal perspective. She was previously a consultant in the specialised finance department of one of South Africa's leading investment banks. Cleopatra holds a Bachelor of Arts in Law and Bachelor of Laws degrees from the University of Swaziland and a Higher Diploma in Tax Law from the University of the Witwatersrand.

*Terms of Engagement and Fees*

As prescribed under the terms of Section 94 of the Companies Act, the Audit, Governance and Risk Committee will determine the terms of engagement in regard to services to be rendered by the auditors and fees to be paid in respect thereof.

APPROVAL OF REMUNERATION

5. To approve the Remuneration Policy of the Group set out on pages 48 and 49 of the Integrated Report of which this notice forms a part.

DIRECTORS CONTROL OF ISSUE OF SHARES

6. That the authorised but unissued share capital of the Company be placed at the disposal and under the control of the directors of the Company and the directors are hereby authorised and empowered to issue shares in regard to:

   6.1 acquisition issues;

   6.2 issues of shares for cash as set out in Resolution Number 7;

   6.3 issues of shares arising out of the exercise of options granted under the terms of the Primeserv Group Limited Share Incentive Scheme by the Primeserv Group Limited Share Trust or under the terms of any Broad-Based Employee Share Plan developed under the provisions of Section 8B of the Income Tax Act;

   to allot, issue and otherwise dispose thereof to such person or persons and on such terms and conditions at their discretion, subject to the provisions of the Companies Act and the JSE Limited ("JSE") Listings Requirements.

   The approval of a 75% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy at the annual general meeting is required for Ordinary Resolution Number 6 to become effective.

ISSUE OF SHARES FOR CASH

7. Subject to the passing of Ordinary Resolution number 6, that the directors of the Company be and they are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued shares in the capital of the Company for cash, as and when they in their discretion deem fit, subject to the Companies Act, the Memorandum of Incorporation of the Company, the JSE Listings Requirements, when applicable, and the following limitations, namely that:

   – the equity securities, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

   – any such issue will be made to public shareholders only, as defined by the JSE, and not to related parties in terms of 5.52 of the Listings Requirements of the JSE;

- the number of shares issued for cash shall not in the aggregate exceed in any financial year, 5% (five percent) of the Company's issued ordinary share capital. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from option/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten; or an acquisition which has had final terms announced;
- this authority be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of this resolution, whichever period is shorter;
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within any one financial year, 5% (five percent) of the number of ordinary shares in issue prior to such issue; and
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of such shares, as determined over the thirty-day period prior to the date that the price of the issue is determined or agreed by the directors of the Company and the party subscribing for securities.

Ordinary Resolution Number 7 is required, under the JSE Listings Requirements, to be passed by achieving a 75% (seventy-five percent) majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote at the annual general meeting.

### AUTHORISATION OF REMUNERATION COMMITTEE

**8.** To authorise the Remuneration and Nomination Committee to confirm the remuneration of the directors for the period ended 31 March 2012, as outlined in note 25 on page 83, and to determine the remuneration of the directors for the year ending 31 March 2013.

### AUTHORISATION OF DIRECTOR TO SIGN

**9.** That any director of the Company or the Company Secretary be and is hereby authorised to sign all documents and do all acts which may be required to carry into effect the ordinary and special resolutions contained in the notice of annual general meeting incorporating this ordinary resolution.

## AS SPECIAL RESOLUTIONS

### 10. SPECIAL RESOLUTION NUMBER 1 – 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 Memorandum of Incorporation 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 annual general meeting, or for 15 (fifteen) months from the date of this special resolution number 1, 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 annual general meeting;
- 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 annual general meeting;
- the ordinary capital and reserves of the Company and the Group are adequate for the next twelve months after the date of this notice of annual general meeting;

- 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 annual general meeting;
- before entering the market to proceed with the repurchase, the Company's sponsor has complied with its responsibilities contained in Section 2.12 of Schedule 25 of the JSE Listings Requirements;
- after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 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 1**

The reason for and effect of Special Resolution Number 1 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 1 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 1. 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.

The Company may not enter the market to proceed with the repurchase until Primeserv's sponsor, Deloitte & Touche Sponsor Services (Pty) Limited, has confirmed the adequacy of Primeserv's working capital for the purpose of undertaking a repurchase of shares in writing to the JSE.

Pursuant to a general repurchase other than shares repurchased by one or more of the subsidiary companies to be held as treasury shares, application will be made to the JSE for the cancellation and delisting of the shares in question. The cancellation of the shares will be effected by way of a reduction of the ordinary share capital and a reduction of the ordinary share premium.

**Other disclosures in terms of Section 11.26 of the JSE Listings Requirements made in regard to special resolution 1**

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:

- Directors and management (page 8)
- Major shareholders of Primeserv (page 91)
- Directors' interests in securities (page 60)
- Share capital of Primeserv (page 80)

**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 8 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Number 1 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**

In terms of Section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on page 8 of the Integrated 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.

**11. SPECIAL RESOLUTION NUMBER 2 – REMUNERATION OF NON-EXECUTIVE DIRECTORS**

To confirm the remuneration payable to the non-executive directors of the Company for the 2013 financial year as follows:

| | Base fee R'000 | Attendance fee R'000 |
|---|---|---|
| Chairman | 100 | 20 |
| Non-Executive Directors | 45 | 20 |
| Chairman of the Audit, Governance and Risk Committee | 65 | 20 |
| Audit, Governance and Risk Committee member | 15 | 20 |
| Chairman of the Remuneration and Nomination Committee | 20 | 10 |
| Remuneration and Nomination Committee member | 7,5 | 10 |
| Chairman of the Social and Ethics Committee | 12,5 | 5 |
| Social and Ethics Committee member | 5 | 5 |

**Reason for and effect of this special resolution**

Special resolution number 2 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 JSE Listings Requirements and King III, remuneration payable to non-executive directors should be approved by shareholders in advance or within the previous two years.

12. SPECIAL RESOLUTION NUMBER 3 – FINANCIAL ASSISTANCE TO SUBSIDIARIES AND ASSOCIATES

"RESOLVED THAT, in accordance with section 45 of the Companies 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 Companies Act), on the terms and conditions which the directors of Primeserv may determine, be and is hereby approved."

**Reason for and effect of this special resolution**

In terms of the Companies 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. It is, however, the intention to renew the authority annually at the annual general meeting.

**To transact any other business as may be transacted at an annual general meeting.**

## VOTING AND PROXIES

### Record Dates

The record date on which shareholders of the Company must be registered as such in the Company's Securities Register, which date was set by the Board of the Company, determining which shareholders are entitled to attend and vote at the annual general meeting is Friday, 21 September 2012. Accordingly the last day to trade in order to be able to attend and vote at the annual general meeting is Monday, 12 November 2012. The voting record date, being the date to be eligible to speak and vote at the annual general meeting is Friday, 16 November 2012.

### Voting

The shareholders of the Company will be entitled to attend the general meeting and to vote on the resolutions set out above. On a show of hands, every Primeserv shareholder who is present in person, by proxy or represented at the general meeting shall have one vote (irrespective of the number of shares held in the Company), and on a poll, which any shareholder can request, every Primeserv shareholder shall have for each share held by him/her that proportion of the total votes in the Company which the aggregate amount of the nominal value of that share held by him bears to the aggregate of the nominal value of all the shares issued by the Company.

In terms of the JSE Listings Requirements any shares currently held by the Primeserv Share Incentive Trust will not be taken into account in determining the results of voting on special resolution number 1 and ordinary resolutions numbers 5, 6 and 7.

### Electronic participation

Should any shareholder wish to participate in the general meeting by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate to the transfer secretaries at the address below, to be received by the transfer secretaries at least five business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right to elect not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation. Shareholders are advised that participation in the annual general meeting by way of electronic participation will not entitle a shareholder to vote. Should a shareholder wish to vote at the annual general meeting, he/she may do so by attending and voting at the annual general meeting either in person or by proxy.

### Proxies

A Primeserv shareholder entitled to attend and vote at the annual general meeting 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 of the Company who are unable to attend the annual general meeting, 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, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), not later than 09:00 on Thursday, 20 November 2012.

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 Memorandum of Incorporation 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.

Any shareholder of the Company who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should he/she decide to do so.

Dematerialised shareholders of the Company, other than "own name" dematerialised shareholders of the Company, 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 annual general meeting in order for their CSDP or broker to vote in accordance with such instructions. If such dematerialised shareholders of the Company wish to attend the Company's annual general meeting 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 shareholders of the Company 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.

By order of the Board

**ER GOODMAN SECRETARIAL SERVICES CC**
**(REPRESENTED BY E GOODMAN)**
**Company Secretary**

Johannesburg

26 September 2012

**PRIMESERV GROUP LIMITED**
Incorporated in the Republic of South Africa
Registration number 1997/013448/06
Share code: PMV
ISIN: ZAE000039277
Venture House, Peter Place Park
54 Peter Place, Bryanston, 2021
PO Box 3008, Saxonwold, 2132
http://www.primeserv.co.za
email: productivity@primeserv.co.za

**SHARE TRANSFER SECRETARIES**
Computershare Investor Services Proprietary Limited
70 Marshall Street, Marshalltown, 2001
PO Box 61051, Marshalltown, 2107

# SHAREHOLDERS' DIARY

| | |
|---|---|
| **FINANCIAL PERIOD-END** | 31 March 2012 |
| **REPORTS ON PROFIT STATEMENTS AND MEETINGS** | |
| Reviewed results published | June 2012 |
| Annual report published | September 2012 |
| Annual general meeting | November 2012 |
| **NEXT FINANCIAL YEAR-END** | 31 March 2013 |
| **REPORTS ON PROFIT STATEMENTS AND MEETINGS** * | |
| Half-year interim report to be published | December 2012 |
| Audited results to be published | June 2013 |
| Annual report to be published | June 2013 |
| Annual general meeting | September 2013 |

* *These dates are subject to change*

# CORPORATE INFORMATION

**PRIMESERV GROUP LIMITED**
Incorporated in the Republic of South Africa
Registration number 1997/013448/06
Share code: PMV
ISIN: ZAE000039277

**REGISTERED OFFICE**
Venture House
Peter Place Park
54 Peter Place
Bryanston, 2021

PO Box 3008, Saxonwold 2132

Telephone: +27 011 691 8000
Telefax: +27 011 691 8011

http://www.primeserv.co.za
email: productivity@primeserv.co.za

**COMPANY SECRETARY**
**ER Goodman Secretarial Services CC**
(represented by E Goodman)
2nd Floor
Palm Grove
Grove City
196 Louis Botha Avenue
Houghton, 2198

**LEGAL ADVISORS**
**Cliffe Dekker Inc.**

**DM Kisch Inc.**

**Peter W Wentzel**

**Werksmans Inc.**

**SPONSOR**
**Deloitte & Touche Sponsor Services (Pty) Limited**
Deloitte & Touche Place
The Woodlands
20 Woodlands Drive
Woodmead, 2196

Private Bag X6, Gallo Manor, 2052

**BANKERS**
**FirstRand Bank Limited**

**Investec Bank Limited**

**AUDITORS**
**Charles Orbach & Company**
Third Floor
3 Melrose Boulevard
Melrose Arch
2076

**TRANSFER SECRETARIES**
**Computershare Investor Services (Pty) Limited**
Registration number 2004/003647/07
70 Marshall Street, Marshalltown, 2001

PO Box 61051, Marshalltown, 2107

**CORPORATE COMMUNICATIONS**
**Graphiculture (Pty) Limited**

# GLOSSARY

| | |
|---|---|
| **ADR** | Alternate Dispute Resolution |
| **AIDS** | Acquired Immune Deficiency Syndrome |
| **ASGISA** | Accelerated Shared Growth Initiative for South Africa |
| **BBBEE** | Broad-Based Black Economic Empowerment |
| **BUSA** | Business Unity South Africa |
| **CAE** | Chief Audit Executive |
| **CAPES** | Confederation of Associations in the Private Employment Sector |
| **CEA** | Construction Engineering Association |
| **CEALBD** | Constructional Engineering Association's Labour Broker Division |
| **CETA** | Construction Education and Training Authority |
| **CHE** | Council on Higher Education |
| **COIDA** | Compensation for Occupational Injuries and Diseases Act, 1993 |
| **COSATU** | Congress of South African Trade Unions |
| **CSI** | Corporate Social Investment |
| **CRO** | Chief Risk Officer |
| **DOL** | Department of Labour |
| **EBITDA** | Earnings before interest, tax, depreciation and amortisation |
| **FET** | Further Education and Training |
| **GDP** | Gross Domestic Product |
| **GRI** | Global Reporting Initiative |
| **HR** | Human Resources |
| **HIV** | Human Immunodeficiency Virus |
| **HWSETA** | The Heath and Welfare Sector Education and Training Authority |
| **IAS** | International Accounting Standard |
| **ICB** | Institute of Certified Bookkeepers |
| **IFRS** | International Financial Reporting Standards |
| **IIA** | The Institute of Internal Auditors |
| **ILO** | International Labour Organisation |
| **IPM** | Institute for Personnel Management |
| **IR** | Industrial Relations |
| **JIPSA** | Joint Initiative for Priority Skills Acquisition |
| **JSE** | JSE Limited |
| **MANCO** | Management Committee |
| **MCSE** | Microsoft Certified Systems Engineer |
| **MEIBC** | Metal and Engineering Industries Bargaining Council |
| **MOI** | Memorandum of Incorporation |
| **MOU** | Memorandum of Understanding |
| **MQA** | Mining Qualifications Authority |
| **NBCRFLI** | National Bargaining Council for the Road Freight and Logistics Industry |
| **NEDLAC** | National Economic Development and Labour Council |
| **NGO** | Non-Governmental Organisations |
| **NQF** | National Qualifications Framework |
| **ODETDP** | Occupationally Directed Education Training and Development Practices |
| **SABPP** | South African Board for Personnel Practice |
| **SARB** | South African Reserve Bank |
| **SARS** | South African Revenue Service |
| **SEIFSA** | Steel and Engineering Industries Federation of South Africa |
| **SENS** | Stock Exchange News Service |
| **SETA** | Sector Education Training Authority |
| **SHEQ** | Safety, Health, Environment and Quality |
| **SSETA** | Services Sector Education Training Authority |
| **STC** | Secondary Tax on Companies |
| **TES** | Temporary Employment Services |
| **TESD** | Temporary Employment Services Division |
| **TETA** | Transport Education and Training Authority |
| **VAT** | Value Added Tax |

# NOTES

# FORM OF PROXY

PRIMESERV GROUP LIMITED

**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 at Primeserv Training, 1st Floor, Hanover Square, Building B, Corner Hendrik Potgieter and 7th Avenue, Edenvale at 09:00 on Thursday, 22 November 2012 ("the annual general meeting").

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 annual general meeting or the shareholder must instruct them as to how they wish to vote in this regard. This must be done in term 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 annual general meeting 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, with or without modification, twelve resolutions to be proposed thereat and 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 |
| Resolution number 1 | – Adoption of financial statements | | | |
| Resolution number 2 | – To confirm the reappointment of Charles Orbach & Company as independent auditors of the Company and L Vroom as the designated auditor for the following year | | | |
| Resolution number 3 | – To confirm the re-appointment as directors of: | | | |
| | 3.1 Prof S Klein | | | |
| | 3.2 CS Shiceka | | | |
| | 3.3 R Sack | | | |
| Resolution number 4 | – To elect the members of the Audit, Governance and Risk Committee | | | |
| | 4.1 DL Rose | | | |
| | 4.2 S Klein | | | |
| | 4.3 CS Shiceka | | | |
| Resolution number 5 | – Approval of the Remuneration Policy | | | |
| Resolution number 6 | – Directors' control over authorised but unissued share capital | | | |
| Resolution number 7 | – General authority on issue of shares | | | |
| Resolution number 8 | – To authorise the Remuneration and Nomination Committee to determine the remuneration of the directors for services other than as directors | | | |
| Resolution number 9 | – Authority for directors or Company Secretary to implement the resolutions | | | |
| Special resolution number 1 | – General authority to repurchase shares | | | |
| Special resolution number 2 | – To confirm the non-executive directors' remuneration | | | |
| Special resolution number 3 | – Authority to provide financial assistance to related or inter-related companies of the Company | | | |

Signed at ____________________ on ____________________ 2012

Signature ____________________

Assisted by me (where applicable)

**Please indicate whether you elect to receive documents electronically at the e-mail address inserted below by ticking the appropriate box**

**YES** ☐ **NO** ☐

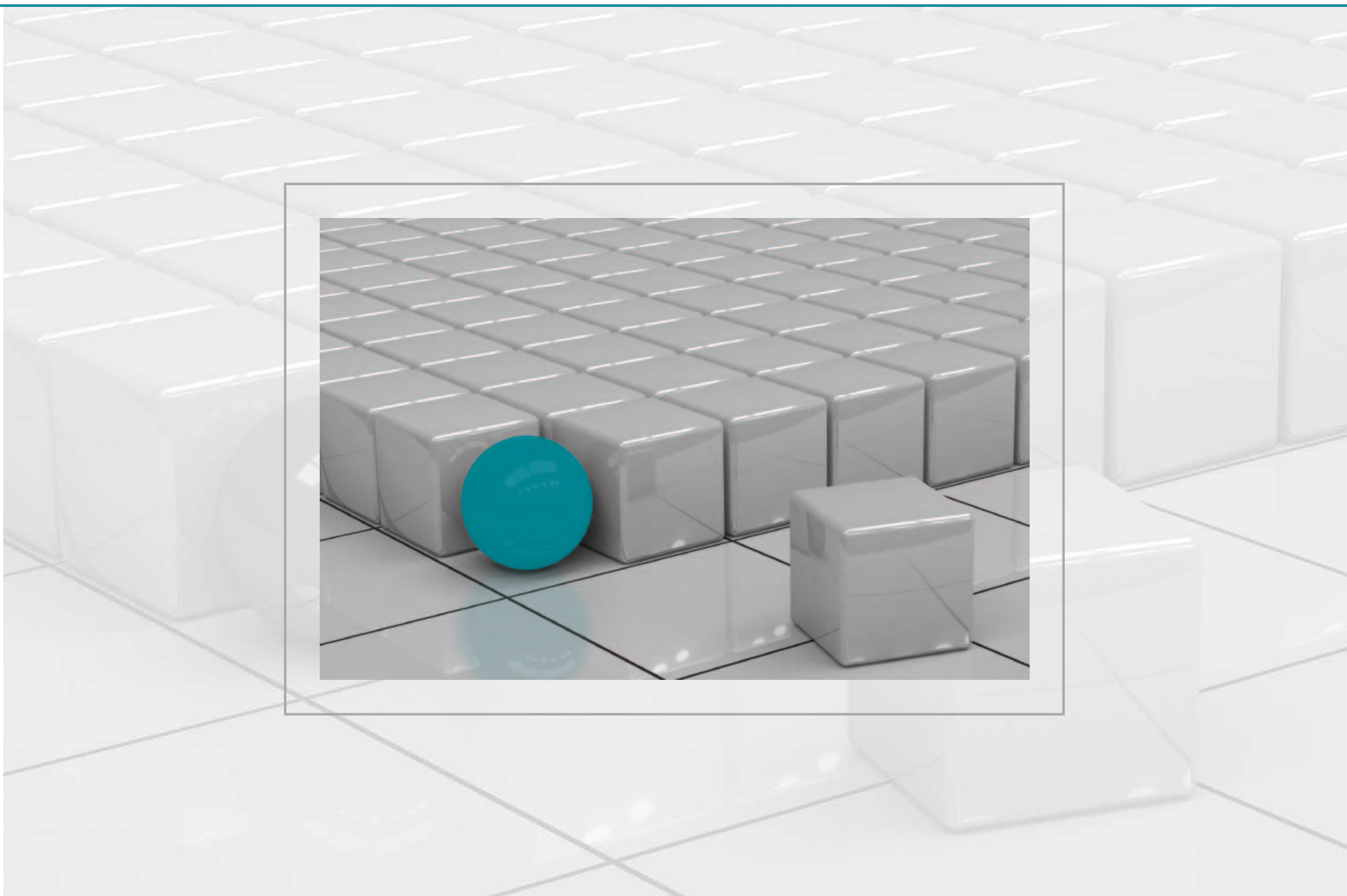
**E-mail:** ____________________

# NOTES TO THE PROXY FORM

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 vote on a show of hands and, on a poll, one vote 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 annual general meeting 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 annual general meeting 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 annual general meeting before the commencement of the annual general meeting.
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 general meeting, 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 annual general meeting.
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, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received not later than 09:00 on Tuesday, 20 November 2012.
9. Any alteration or correction made to this form of proxy other than the deletion of alternatives must be initialled 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 general meeting in person 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 annual general meeting:*

    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 general meeting in person, 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.



# GROUP OPERATIONAL TRADE NAMES AND TRADEMARKS

• ABC International • ABC Recruitment • African Recruitment Manpower (ARM) • Business Enterprises South Africa (BESA) • Chamdor • Chebo • CV Online • Contract Staff Hire • David Heath Search and Recruitment • Denverdraft • Executive Task Force • Hampton College • Home Study College • HR Training • Humanitas • Integrated Marketing Information Group (IMIG) • Interplace Recruitment • Labour Law Group • Manufacturing and Technical Skills Institute (MTSI) • Marjorie Levy and Associates • Mech Elect • Natalie Stoltz & Associates • Percon • Personnel Performance • Peter Adendorff Associates • Phenix • Select Personnel • Selected Manpower Services (SMS) • Staff Dynamix • Stafflink • Stanford Business and Computer College • Thami • VE Training • Working World College

360º Integrated or modular HR products, services and solutions.

www.primeserv.co.za

people ▸ productivity ▸ performance™