PRIMESERV GROUP LIMITED

INTEGRATED REPORT

2014

PRIMESERV

CONTENTS

Should you require an electronic copy (by e-mail) or would like to request a hard copy, please contact the Financial Director, Mr R Sack, at the registered office of the Company, 25 Rudd Rd, Illovo, Sandton (PO Box 3008, Saxonwold, 2132) or by e-mail at **int14report@primeserv.co.za.**

ABOUT THIS REPORT

INTEGRATED REPORTING APPROACH

The Board of Directors takes great pleasure in presenting the Primeserv Group's Integrated Report for the year ended 31 March 2014. This has been compiled in accordance with the guidelines outlined in the King Code of Governance Principles for South Africa (2009) (King III), and will provide insight into the Group's strategy, its business model and the way in which it is managed. It will also offer in-depth understanding of the Group's impact in the financial, economic, social and environmental spheres.

In preparing this report, the Board has considered and applied the principles and practices outlined in King III, as well as those contained in the discussion paper of the Integrated Reporting Committee of South Africa. The adoption of integrated reporting principles is, however, a developmental and evolutionary process, and it may take several years to comply with all of the requirements for integrated reporting.

For the period under review, this fourth Integrated Report nevertheless offers stakeholders a more holistic view of Primeserv's operations, and provides information on both financial and non-financial matters.

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 full Integrated Report is available online at www.primeserv.co.za

ASSURANCE AND COMPARABILITY

The Primeserv Integrated Report has not been independently assured this year, as the Group has not yet formulated a combined assurance model for the integrated reporting process. A suitable model is, however, being formulated by means of a thorough assessment of all internal and external assurances already in place, as well as through an alignment with the Group's existing risk management process.

Most of the performance measures included in this report have comparative figures and, unless otherwise stated, cover the 2014 financial year.

FEEDBACK REQUEST

Primeserv welcomes feedback from its stakeholders on the Group's 2014 Integrated Report. Interested and affected parties are invited to contact Primeserv on int14report@primeserv.co.za should they have any questions or queries relating to the report.

FORWARD LOOKING STATEMENTS

Certain statements contained in this report are forward looking statements, which Primeserv believes are reasonable, and which take into account information available up to the date of publication. Final results could, however, differ materially from those set out in the forward looking statements as a result of such factors as changes in economic and market conditions or changes in the regulatory environment.

As a result, these forward looking statements are not guarantees of future performance. They are based solely 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, any member thereof or any persons acting on their behalf are expressly qualified in their entirety by this cautionary statement.

Primeserv further disclaims any obligation or undertaking to disseminate updates or revisions to any forward looking statements contained in this report or to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such forward looking statements have been based. Forward looking statements have neither been reviewed nor audited by the Group's auditors, Baker Tilly SVG.

APPROVAL OF THE INTEGRATED REPORT

The Board of Directors acknowledges that it has a responsibility to ensure the integrity of the Integrated Report.

The Board has therefore carefully considered all of the relevant guidelines for integrated reporting, and is of the opinion that this report addresses all material issues and that it fairly presents the integrated performance of the organisation as well as its impacts. The Integrated Report has been prepared in line with best practices outlined in King III.

The Board authorised the Integrated Report on 26 September 2014.

For and on behalf of the Board

JM JUDIN
Independent Non-Executive Chairman

M. Abel

M ABEL
Chief Executive Officer

ORGANISATIONAL OVERVIEW

PRIMESERV PROFILE

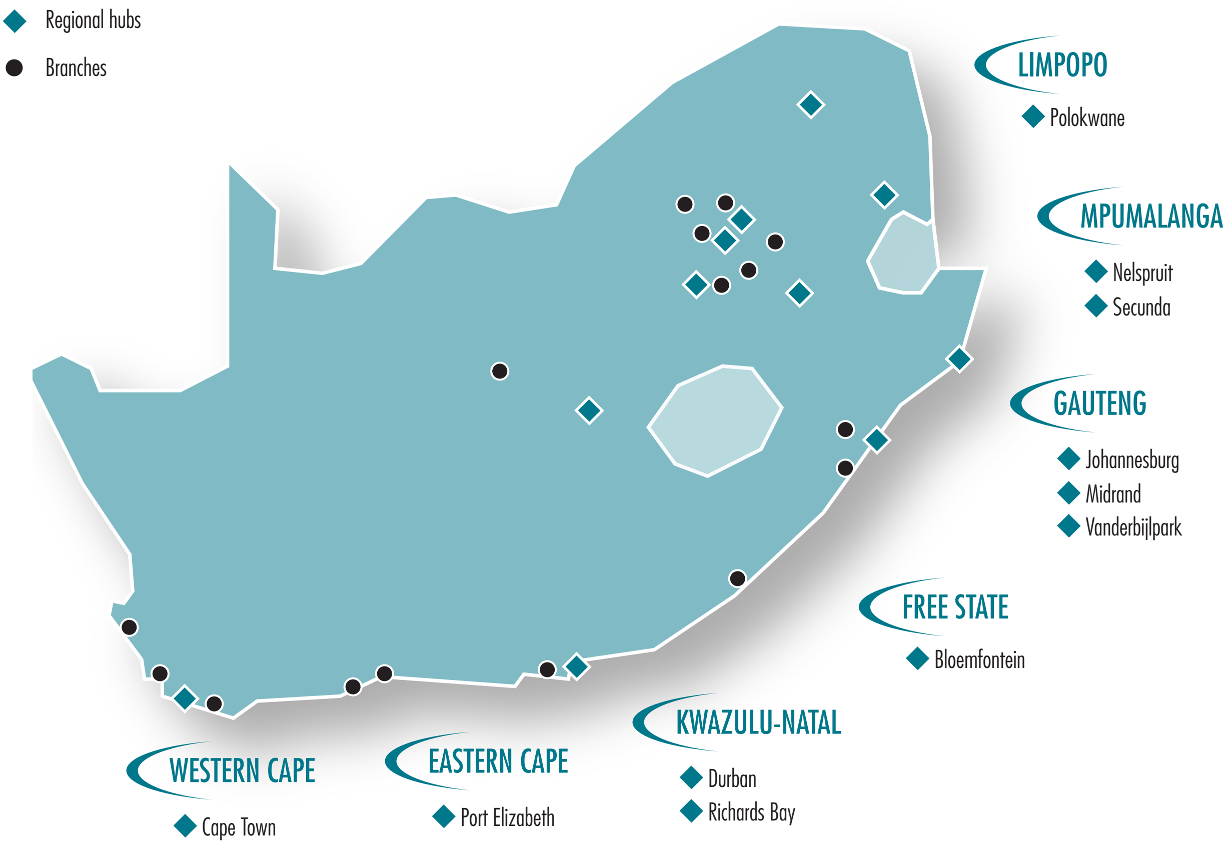
Primeserv Group Limited (Primeserv or the Group) is an investment holding company listed in the Industrial Goods and Services sector of the JSE.

The Group focuses on delivering human resources (HR) and industrial relations (IR) products, services and solutions through its operating pillar, Primeserv HR Services. This incorporates two main areas of specialisation: namely Human Capital Development and Human Capital Outsourcing.

Primeserv HR Services provides a comprehensive HR and IR value chain that can be accessed through Primeserv's Int**HR**grate™ Model, either in its entirety or in modular form. It offers an extensive range of HR and IR consulting services, corporate and vocational training and learnership programmes, specialist recruitment and talent management services and specialised flexible staffing solutions, and employee lifestyle benefit related products. These are supported by payroll and wage bureau services.

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

GEOGRAPHICAL FOOTPRINT



GROUP STRUCTURE

PRIMESERV GROUP LIMITED

PRIMESERV HR SERVICES

HUMAN CAPITAL DEVELOPMENT

PRIMESERV HR SOLUTIONS

PRIMESERV TRAINING

PRIMESERV ACADEMY

PRIMESERV RECRUITMENT

BATHUSI HR SOLUTIONS

HR Consulting
Corporate Training
Technical Training
Learnerships
Specialist Recruitment
Talent Management Services
Lifestyle and Benefit Products

HUMAN CAPITAL OUTSOURCING

PRIMESERV OUTSOURCING

PRIMESERV RESOURCING

STAFF DYNAMIX

Denverdraft

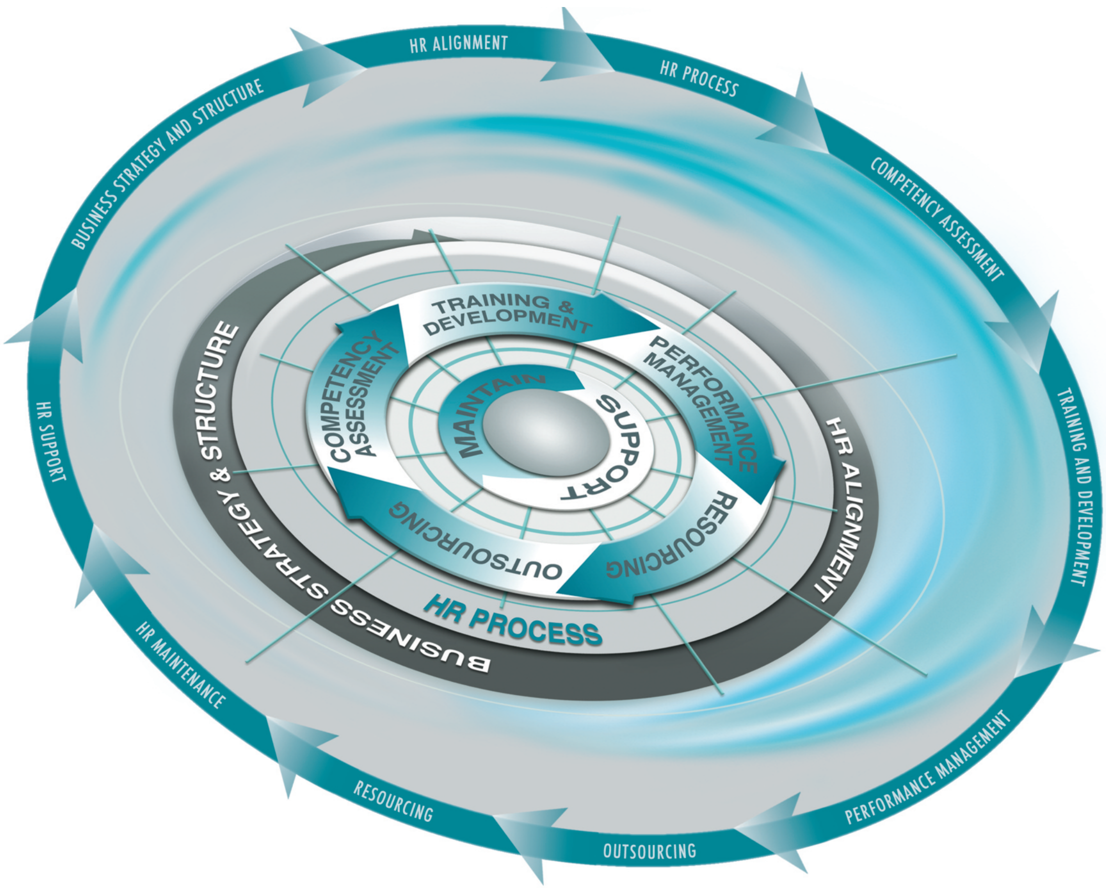
BATHUSI STAFFING SERVICES

EMPVEST OUTSOURCING

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

PRIMESERV'S IntHRgrate™ MODEL

The Primeserv Int**HR**grate™ Model differentiates Primeserv HR Services as a specialised operation that provides both a fully integrated range of services as well as modular suites of benchmarked products, services and solutions. The model enables Primeserv to add value to the HR and IR functions in client companies which, in turn, enables them to unlock the full value of their human capital.



Background and context

Primeserv is passionate about the contribution that human capital can and should make to the business strategy and capability of both companies and organisations.

Worldwide, the HR function is playing an increasingly critical role in business, enabling companies to achieve their strategies through the most effective use of their primary resource, their human capital. Similarly, there is a clear evolution away from traditional, limited HR functions, which are restricted purely to administration, payroll and legislative issues. In its increasingly important function as a fundamental component of business, HR is now making a vital strategic contribution to leadership capacity, decision-making, succession planning and skills development.

Primeserv HR Services is an acknowledged frontrunner in this evolutionary process, partnering with its clients in order to identify and develop HR strategies and processes that are able to contribute in a very fundamental way to the achievement of their business strategies.

Primeserv's Int**HR**grate™ Model has been created around this central concept of understanding the HR value chain from both a strategic and operational point of view. It adopts a 360° approach to the HR function, providing a comprehensive suite of market-leading HR and IR products, services and solutions. These can be implemented on either an integrated or modular basis in order to ensure that the entire process is a value driver in clients' businesses.

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

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

ALIGNMENT WITH BUSINESS STRATEGY AND STRUCTURE

The Primeserv Int**HR**grate™ Model is designed to assist companies in aligning their HR practices to their business strategies and operational structures. It enables companies to use their human resources effectively and cost-efficiently in order to attain business objectives.

Well-managed HR practices contribute to the effective implementation of strategy by assessing, selecting, training and developing a company's human capital in order to meet both current and future needs. This process includes sourcing, resourcing, outsourcing, monitoring, maintaining and supporting the organisation's human resources.

Within this framework, the HR function is intended to structure, manage and measure the entire HR value chain in order to enable a company or organisation to achieve its strategic objectives.

HR PROCESSES

The results of effective HR management can best be measured when all systems and processes are fully integrated. These include such elements as resourcing, outsourcing, competency assessment, training and development, performance management, maintenance and support.

Resourcing

Resourcing is the first step in the process of achieving maximum value from a company's human capital, and it is therefore essential to recruit only profiled, assessed and competent staff. The resourcing process needs to be carefully managed in order to ensure that the right people with the right competencies are appointed to the right positions.

Outsourcing

Outsourced skills need to be assessed in the same way. Outsourcing provides the kind of flexibility that is so essential in a rapidly changing and highly competitive business environment. It is an invaluable complement to full-time capacity, and can provide companies with sustained staffing solutions that enable them to match resourcing to operational requirements.

Competency assessment

Continuous competency assessment is also essential if a company is to benefit from optimal human capital value at all times. In a constantly changing business environment, planned and regular competency assessment enables a company to develop its staff in such a way as to meet their individual career aspirations and support the company's goals and objectives.

Training and development

Training and development programmes need to be planned and implemented in response to real business needs, and should also meet the needs of individual staff members. Within the context of the South African socio-economic environment, these programmes need to be aligned to national objectives related to continuous skills development.

Performance management

Clear and understandable performance measures are essential to managing individual performance. They allow the company to track performance against business objectives, and to provide for short-term remedial action should this be required. They also afford a structure within which to achieve medium- and long-term objectives for both the individual and the business.

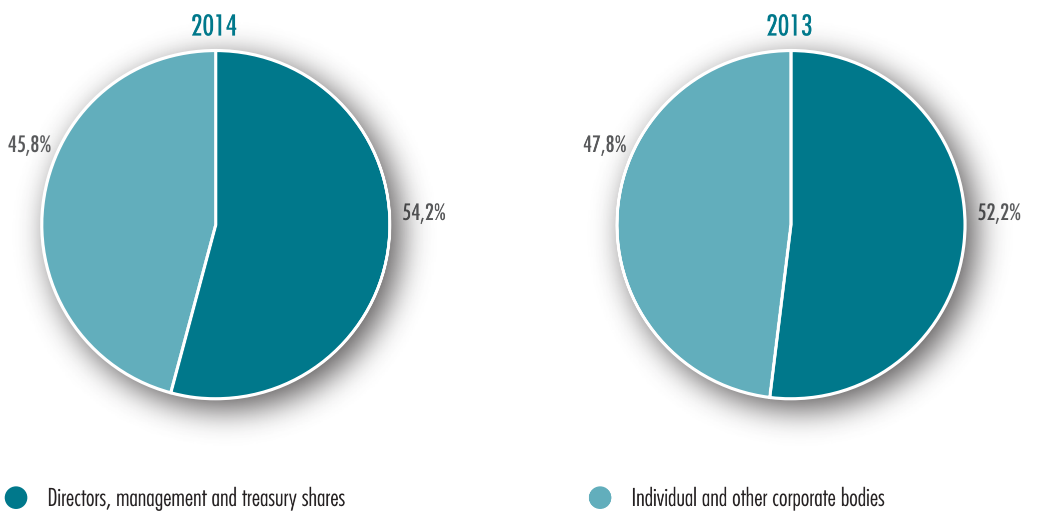
HR maintenance

Efficient HR administrative systems enable companies and organisations to meet their contractual obligations, and to ensure both consistent performance and staff satisfaction. HR maintenance services include payroll management as well as programmes related to rewards and remuneration, health and safety, and industrial relation's management.

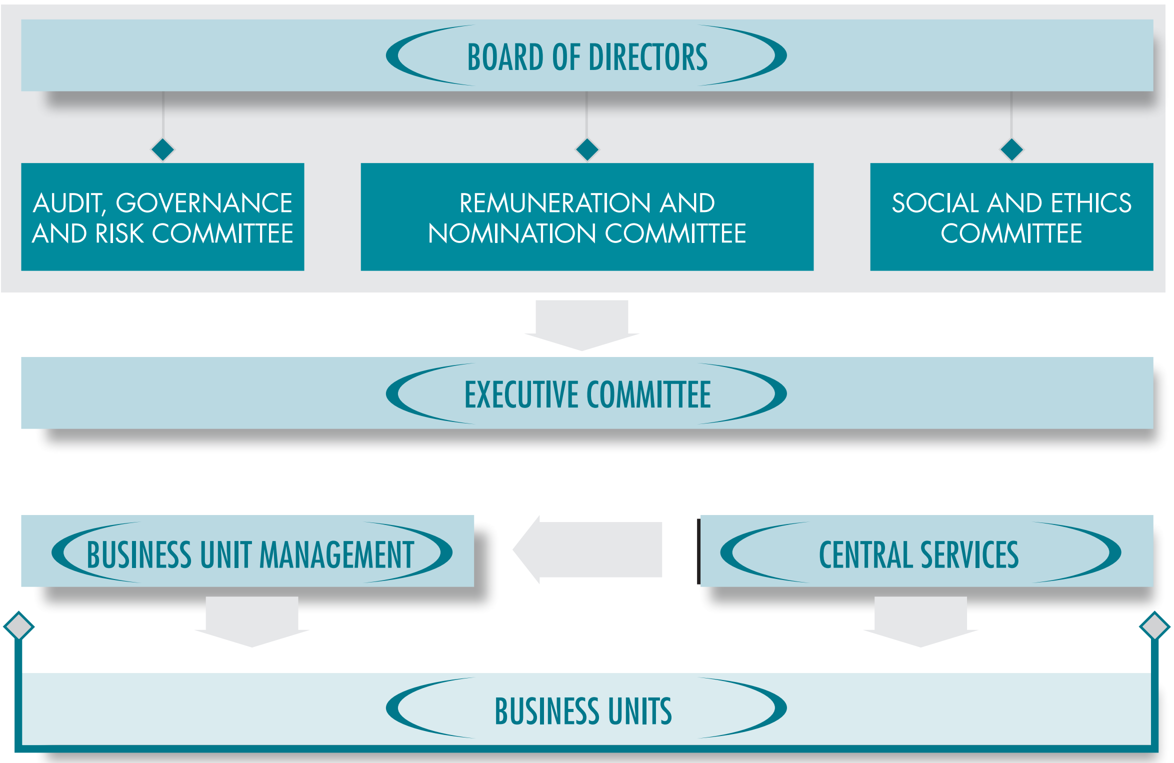
HR support

Employee wellbeing, both physical and emotional, has a direct impact on performance. Wellbeing needs to be managed and nurtured through such interventions as effective career and succession planning, stress and/or burnout management strategies, individual coaching and counselling, related interventions and HIV/Aids initiatives, as well as employee lifestyle and benefit products.

OUR SHAREHOLDERS



HOW WE ARE MANAGED



BOARD OF DIRECTORS

Non-executive 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 the co-chair of the Corporate Governance International Development Sub-Committee of the American Bar Association. He is a non-executive director of both Set Point Group (Pty) Limited and Nu-World Holdings Limited.

Prof. Saul Klein ~ ^
Independent Non-Executive Director
BA (Economics), 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 at the University of the Witwatersrand in Johannesburg, and was Professor of Marketing at the Wits Business School. He has also held academic positions at leading universities in Canada, the USA, Singapore and Australia.

Letepe M Maisela * #
Non-Executive Director
BA (Social Science)
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). He is the current Chairman of International Finance Group (IFG), and is a director of Reutech Limited, Kayamandi Resources and The National Arts Festival (Grahamstown).

David L Rose ~
Independent Non-Executive Director
BCom, BA, CA(SA), F.Inst.D
Appointed: February 2005

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

Cleopatra S Shiceka ~ #
Independent Non-Executive Director
BA (Law), LLB, HDip Tax
Appointed: August 2009

Cleopatra is currently the General Manager in the Office of the Chief Executive at Transnet Freight Rail. She is also General Counsel on the Executive Board of the Union of African Railways (UAR), a specialised agency of the AU. Cleopatra is the Non-Executive Chairperson of Gabcon and a non-executive director of Reutech Limited. She has vast experience in the regulatory environment as well as in specialised finance.

Executive directors

Merrick Abel #
Chief Executive Officer
BA (Hons), MBA
Appointed: August 1997

Merrick is a director of numerous Primeserv subsidiaries. Since founding the Group in 1997, he has served as CEO and was Executive Chairman from 2000 to 2003. He has over 27 years of local and international business experience, particularly in the industrial and services industries.

Raphael Sack
Financial Director
BComm, BCompt (Hons), CA(SA)
Appointed: June 2009

Raphael has been with the Group since 2006 and has been a director of several subsidiary companies during that time. Prior to this, he was the Financial Director of various other companies, including Spanjaard Limited, a company which is also listed on the JSE.

Desmond C Seaton
Executive Director
BCom, LLB, Dip Tax
Appointed: August 2003

Desmond was a consultant to a number of listed and unlisted entities providing corporate, legal and tax advice prior to his rendering full-time services to Primeserv. He is also a non-executive director and audit committee chairman of ISA Group Limited. He was appointed as an executive director of Primeserv on 29 June 2012.

~ 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

It is a fundamental aspect of Primeserv's business strategy to actively engage stakeholders. The following table outlines the way in which this is done.

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. In addition, the CEO is in contact with various investors and analysts at which non-price sensitive information is communicated. 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, capital appreciation and long-term sustainability.	Shareholders are appropriately apprised of the Group's activities. Stable major shareholder base. 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. 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. Ability to focus on their core activities whilst outsourcing key human capital requirements. Capability to match customer staffing requirements to legislative changes National branch network	Stable major customer base. Organic growth at existing and new customers. Proactive identification of needs and timely resolution of queries. Evolution of services to meet the needs of the changing HR and IR environment.
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). Regular performance appraisals are carried out. 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. Skills development. Career path management. Performance management and constructive engagement and intervention.	Staff motivation. Staff retention. No industrial action and improved relations with employees. Skills development. Experienced staff. Stable management team.

Stakeholder	Method of engagement	What matters to them	Outcomes of engagement
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. Primeserv provides financial support to community skills development initiatives. Primeserv supports charitable organisations focusing on nurturing AIDS orphans.	Regular interaction and contributions. Long-term commitment that makes a meaningful difference.	Improvement in the ability of the NGOs to meet community needs. Staff involvement in promoting the image of the Group in the wider community. 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. Proactive engagement with changing legislative environment. Sustainable business model.

RISKS, OPPORTUNITIES, STRATEGY AND STRATEGIC REVIEW

Risk management

The Primeserv Board recognises that risk management is an ongoing process, and that the Group's risk framework should be robust enough to effectively manage and react to change in an efficient and timeous manner.

The risk management framework is the responsibility of the Group's Board of Directors, and aims to:

- ensure efficient allocation of capital across various activities in order to maximise returns and the diversification of income streams;
- monitor risk-taking within levels that are acceptable to the Group as a whole and within the constraints applicable to the relevant subsidiaries;
- manage liquidity efficiently and control the cost of funding; and
- improve risk management and control, wherever possible.

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

RISKS, OPPORTUNITIES AND STRATEGY – IDENTIFIED CHALLENGES

Key challenges	Control and/or mitigation strategy
New Labour Legislation	Government has now enacted all of the components constituting the revised labour legislation which has been the subject of debate between government, business and organised labour. The legislation provides for increased regulation of the TES industry through the Employment Services Act which will require registration of all TES and other private employment service providers and seeks to introduce a public employment service provider. Regulations specifying the requirements for registration and ongoing reporting requirements have yet to be promulgated. Primeserv as a compliant services provider believes that it has the systems in place to ensure that there will be no interruption in service arising out of meeting any stipulated requirements. Primeserv remains of the view that the impending regulation will favour the larger and reputable TES providers such as Primeserv, who have the necessary HR/IR and IT systems infrastructure, and are capable of meeting the demands of a strictly regulated environment. Amendments to the Employment Equity and Labour Relations Acts will have the effect of making the employment of temporary labour past a three-month period far more costly and will in all likelihood have a negative impact on employment levels, particularly in cases of direct employment by typical employers. Primeserv has in place the necessary systems and infrastructure to deal with these amended requirements.
Attracting and retaining senior HDIs.	Customised learnerships and training programmes are used to develop senior HDIs. Recruitment and retention strategies have been implemented to attract and retain personnel.
Skills shortages.	Most businesses in the Group continue to be affected by skills shortages and investment is made in employee up-skilling. A dedicated unit, Primeserv Employee Training Academy, has been established to facilitate the process of skills development. The Blue Collar Outsourcing unit has invested in a welding training and assessment centre.
IT systems – implementation process of new software and systems.	The implementation risk has been reduced by an experienced implementation team who have developed key expertise specific to the TES/HR industry. A systematic and phased implementation approach has been applied to system roll-outs. 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 an ongoing process, especially in view of the King III requirement of integrated reporting. One of the key areas of responsibility of the Social and Ethics Committee is sustainability.
Developing an effective sustainability data collection system. Primeserv has adopted a centralised administration and payroll platform that supports a national operational footprint. This has assisted in improving data collection.	Improvements will continue to be made to the data definitions and the data collation process. Additional non-financial data will be expanded and ongoing improvements will be made. This includes the implementation of new HR/IR software modules that interface with the Human Capital Outsourcing segment's payroll and contractor databases and systems.

Strategy

Leveraging the Primeserv HR Services value chain in order to achieve a sound and sustainable return on investment is driven by a three-pronged approach that focuses on:

- establishing and maintaining a strong financial position in order to facilitate both organic growth and growth by acquisition;
- investing in intellectual capital and a strong and experienced management team; and
- securing and maintaining both daily and long-term contractual business in order to deliver a real and consistent growth in earnings.

Primeserv is also fundamentally committed to continuing organisational transformation through skills development, employment equity and increased B-BBEE equity ownership.

More specifically, the Group's strategy is to:

- facilitate frequent and meaningful interaction with clients in order to align product and services offerings with client needs;
- continuously improve its organisational knowledge of market dynamics and adapt its offerings in order to effectively service these markets;
- deliver economically measurable value;
- invest in HR and IR products, services and operating facilities in a sustained and focused manner;
- expand its client base and market reach;
- ensure effective resource allocation, containment of expenditure and maximisation of efficiencies;
- promote strong values and a performance-driven organisational culture in a nurturing working environment;
- extend its presence in southern Africa to meet clients' needs as they expand into the region;
- maintain its competitive advantage by expanding internal capability and promoting innovation;
- enhance its leadership position in HR and IR consulting, skills development and flexible and permanent staffing services, while simultaneously evolving its integrated HR services model in order to meet the challenges of a changing labour environment;
- diversify its product and services offering within the HR Services environment and reduce dependency on any single operating entity;
- enhance effective B-BBEE, both internally and externally; and
- become the integrated HR and IR services provider of choice.

Strategic review

South Africa's history has created a unique socio-economic and political environment, in which significant transformation is required in order to reflect the country's demographic mix. Skills development and training have therefore been identified as a national priority, and it is within this context that Primeserv has the opportunity to develop and deliver meaningful and sustainable added-value solutions to both commercial and non-commercial clients in various sectors. The Group's suite of HR and IR products and services, offered through its Int**HR**grate™ Model, provides a comprehensive range of solutions suited to delivering skills and services where they are most needed.

The Group continues to use the latest technology wherever practical in order to enhance the delivery of these services. Technology, combined with field service excellence, is a key enabler of premium client-centric service delivery, and is being used to improve efficiencies. Various benchmarking processes are also being used to ensure that the products and services offered are aligned with the needs of Primeserv's clients and are in accordance with international best practice. The Group strives to maintain its reputation as a supplier of choice for all HR and IR needs.

Given the importance of the current labour environment, the Group is represented on a number of industry bodies, where it is able to offer professional input as well as obtain insight into the latest developments regarding legislation and regulation. Membership of these bodies allows Primeserv to rapidly adjust its operational structures whenever required in order to conform to latest developments.

Partnering with Primeserv enables companies and organisations to effectively free up and use internal resources so as to focus on their core activities. In a business climate featuring high degrees of price and product parity across competitors, ongoing margin pressure, skills shortages, economic contraction, continual bouts of labour unrest and the resulting volatility of staff demands, Primeserv's client-focused and customised HR and IR products and services are essential tools in protecting and enabling business success.

Primeserv also aims to be an employer of choice within the South African business environment. The Group's values, principles and strategies are monitored and guided by the Central Services Unit, which fulfils a unifying function and aims to provide a rewarding work environment for employees at all levels. Employees participate 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 units, while maintaining its primary focus on investments, financial control, ongoing risk assessment and resources allocation.

South Africa's socio-economic and political environment presents complex human capital challenges for businesses and other organisations, as authentic diversity and effective transformation reporting mechanisms are required in order to meet B-BBEE targets. Skills development and the advancement of equity-based employment must therefore take place within the wider context of the national transformation agenda in order to secure a sustainable business.

Primeserv's primary focus on human capital forms the context within which all of its business units have been positioned as market-driven and client-centric. The Group has, in response to market needs, developed an integrated HR value proposition that is able to cater to the challenges inherent in the South African human capital environment.

Primeserv's Int**HR**grate™ Model is the central platform supporting Primeserv HR Services, the Group's operating pillar. The Int**HR**grate™

Model's proprietary service offering effectively differentiates Primeserv in the industry. Ongoing internal reappraisal and evaluation processes also ensure effectiveness in the constantly changing market sphere within which the Group operates, thereby keeping the Int**HR**grate™ Model relevant to evolving market dynamics. Primeserv's ability to customise products, services and solutions for varying business and industry sectors, as a result of the Int**HR**grate™ Model's modular structure, enhances the efficiency of its value proposition.

Globally, businesses are moving away from limited, internally-focused human capital solutions, to comprehensive, outsourced human capital management. Locally, new labour legislation, will result in heightened levels of complexity and administrative burdens, and increase the need for specialist outsourced human capital management expertise.

Primeserv's operational and technical expertise, as well as its practical understanding of the complex legislative and regulatory framework in the local environment, has resulted in the Group developing long-term relationships with clients, who entrust most of their human capital requirements to the Group and who continue to experience quantifiable benefits as a result.

CHAIRMAN'S REPORT

It is my privilege to be able to present Primeserv Group Limited's fourth Integrated Report. As a responsible corporate citizen, the Group endorses the strategic reporting methodology that encompasses economic, social and environmental indicators. The assimilation of this triple-bottom-line methodology into Group operations is an evolving process, and it is the Board's aim to progressively enhance this in order to deliver added value reporting to all of its stakeholders.

While there are continuing uncertainties in the global economic environment, new legislation in South Africa has provided a degree of certainty regarding the role and position of the Temporary Employment Services (TES) industry in South Africa. It remains the Group's position that fair and reasonable regulation favours the larger and more reputable TES providers, which have the necessary systems and infrastructure in place to meet the demands of operating in a highly regulated environment.

Many challenges, however, remain within the labour environment. Widespread labour related industrial action throughout the year continued to impact on the broader economy and consequently affected the Group, with revenue from continuing operations being negatively impacted. This was, to an extent, offset by the fact that margins improved due to the Group's strategy of focusing on more high-margin clients. Overall, Primeserv's financial position has, in many respects, improved when compared to its position in the 2013 financial year and Primeserv returned to overall profitability in the 2014 financial year.

This is partly due to cost management and the benefits of efficiency measures. The Group's programme of reorganisation and centralisation is being successfully implemented, and is enhancing both Primeserv's competitive position and its financial position. Improved working capital management has also been a feature, whilst the refinement of Primeserv's business model and a renewed focus on core competencies delivers tangible results.

Within a broader socio-economic context, significant challenges also remain. The unemployment rate continues to be a cause of great concern, with the SA Quarterly Labour Force Survey recording further job losses in the first quarter of 2014.

This, together with a low economic growth rate, a volatile currency and low productivity rates speaks to the urgent need not only to secure access to work opportunities, but also to improve candidates' job prospects through training and development. It is a position supported by the World Economic Forum's Global Competitiveness Report (2013 – 2014), which shows that South Africa is ranked 56th out of 144 countries, down four positions from the previous year, in terms of competitiveness. This is a measure based on such factors as skills and productivity.

With relevance to Primeserv's sphere of business activity, South Africa is ranked 88/144 for the quality of its education, and received an overall score of only 4.3/7 in this category. The situation is also concerning when it comes to labour market efficiency, with the country dropping 18 places to 133/144, whilst being ranked at 139/144 for the flexibility of wage determination and 143/144 for hiring and firing practices since the last WEF report. Nevertheless Primeserv remains optimistic about South Africa's future and is committed to providing services and solutions that seek to positively address current challenges.

Primeserv's product and services offering, which focuses on job creation and employment underpinned by skills development programmes and learnerships, has an important role to play in normalising this situation and creating a more sustainable future for the country.

On average, over 30% of temporary assignments evolve into permanent positions. Primeserv Outsourcing, through its placement of temporary staff, therefore has a pivotal and transformative role to play in employment dynamics. Primeserv also, in appropriate circumstances, places candidates, particularly the youth, with no previous employment history in jobs thereby in some small way addressing critical areas of dissatisfaction amongst the most economically disadvantaged sectors of the economy. The process also promotes access to the kind of skills transfer that is beneficial to both the individual and the economy as a whole.

The success of transformation initiatives like these is critical to economic, social and environmental sustainability, and Primeserv's commitment to transformation is embedded in both our business model and our culture.

As an expression of this commitment, the Board provides a platform for responsible corporate citizenship, and continues to align its sustainability reporting processes with global reporting standards that are in accordance with the Global Reporting Initiative's guidelines. The Group is further committed to enhancing its sustainability management protocols and to increasing the visibility of its broader sustainability initiatives.

In order to address the issues relating to the ownership element of the balanced scorecard, and as part of Primeserv's ongoing B-BBEE initiatives, the Group's ownership participation structure has been fully assessed and further improvements to this aspect of the Group's transformation are being planned.

As we at Primeserv continue along this path of regeneration, I wish to express my appreciation to my fellow directors for their dedication and commitment to the Group. Thanks are especially due to our CEO, as well as the Group's executives, and our management and staff, who are the very heart of our business.

J MICHAEL JUDIN
Independent Non-Executive Chairman

Primeserv Group Limited is an investment holding company with subsidiary operations focused on the delivery of human resources (HR) and industrial relations (IR) products, services and solutions through its operating pillar, Primeserv HR Services. This incorporates two main areas of specialisation: Human Capital Development and Human Capital Outsourcing.

Primeserv HR Services delivers and operates an extensive range of HR and IR consulting services and solutions, corporate and vocational training programmes, technical skills assessment and training centres, as well as permanent and temporary staffing services, wage bureaus and staff lifestyle and benefit products.

The 2014 financial year represented a period of consolidation for Primeserv, with the Group concentrating its efforts on its core business and enhancing its national capability to provide continued service excellence to its clients. Management also concentrated its efforts on optimising working capital and on growing and diversifying revenue streams. The Group is actively engaged in seeking acquisitive opportunities aimed at utilising the scalability inherent in its operational infrastructure.

The 2014 financial year has seen a return to overall profitability across the Group, with EBIDTA up by 61%, operating profit up by 87%, net profit before tax up by 164% and headline earnings per share up by 9,56 cents from a headline loss per share of 3,05 cents last year to headline earnings of 6,51 cents per share for the current year. This improvement is attributable to an increase in earnings from continuing operations and a reduction in the loss attributable to the discontinued Colleges business.

ECONOMIC CONTEXT

Primeserv operates within a challenging macroeconomic environment that inevitably impacts on its operations and results.

During the 2014 financial year, labour unrest at home and sluggish growth in both Europe and the United States impacted significantly on the local economy. Unemployment also remained exceptionally high, with the official unemployment rate for the period being 25.2% (South African Reserve Bank). By the first quarter of 2014, there were 5,07 million people out of work in the country, up from 4,83 million in the preceding quarter, mainly as a result of job losses in the agriculture, manufacturing and transport sectors (Trading Economics).

Of perhaps even greater concern is the fact that unemployment is particularly high amongst young people, with 36.1% of individuals aged between 15 and 34 being unemployed (Statistics South Africa).

This is exacerbated by the fact that job creation has failed to keep pace with growth, particularly in the private sector. Economic growth for the 12-month period ending December 2013 was 1.9%, while job growth in the formal sector languished at 0.5% (Statistics SA). By this date, 8,49 million people were employed in the formal sector, marginally up from 8,46 million in 2012. Given the increase in and duration of incidents of labour unrest, including, often times violent and disruptive industry-wide industrial action, this trend is likely to continue.

Many economic analysts are of the opinion that, within the current constrained economic environment, companies have simply learnt to do with fewer people, and that there is also very little scope for further job creation in the public sector. Unless there is sustained economic growth in South Africa, neither sector is likely to create many new jobs (Stanlib).

Notwithstanding these challenges, one of the primary requirements of business in relation to growth and expanding employment is the need for flexibility which need can be efficiently met by trusted, compliant and well managed TES providers.

PRODUCTIVITY

South Africa's labour productivity continues to decline and is currently at a 50-year low. Labour unrest in the mining and motor industry sectors has had a serious impact on economic output, particularly in export orientated sectors with high levels of downstream local supply. This is being aggravated by uncompetitive wage demands that are further compromising productivity. South Africa's low productivity levels remain one of the most serious constraints on economic growth and international competitiveness.

Primeserv specialises in providing and utilising best practice HR and IR processes to facilitate the optimisation of worker productivity.

More effective education and training would contribute greatly to a long-term solution to the country's productivity problem. One of the goals of the National Development Plan (NDP) is therefore to improve education, training and skills development through the active support of the private sector, whose role should be seen within the broader context of the ongoing dialogue between government, business, labour and civil society.

In this regard, Primeserv's Technical Training and Learnership units are able to provide a significant value added component, not only in regard to the upskilling of Primeserv's workforce, but also to those of its TES clients. During the year under review the Group opened a welding assessment and skills upliftment centre at its regional hub in Secunda to streamline the appointment and selection of welders at client operations.

TEMPORARY EMPLOYMENT SERVICES

Approximately one million jobs were lost in South Africa during the global economic recession, and recent figures indicate that this trend is continuing, although on a smaller scale. Low levels of economic growth continue to hamper job creation, as does uncertainty in the labour market attributed largely to the impact of the protracted debate concerning the now recently legislated labour amendments and the consequent impact on flexibility in regard to employment. These amendments will have a significant impact on the costs associated with the employment of temporary labour directly by employers, not only in regard to direct costs but also in regard to the associated HR management costs.

The increased costs of employment and the impact on the ability of business to address its requirements in regard to flexibility in meeting labour requirements has and will lead to a reticence by business to directly take on additional labour to meet any increases in demand until such time as the sustainability of such increase is assured. Given the numbers of temporary employees employed in the South African economy this could materially impact on an already poor employment outlook. The new labour legislation which imposes a three-month deeming provision in regard to direct temporary employment will greatly restrict business in achieving the requirement of labour flexibility. In this regard utilisation of large, integrated HR service providers will, in the view of Primeserv, provide an attractive alternative.

While the formal sector continues to shed jobs, the TES industry has continued to fill jobs, especially for skilled workers, where demand remains strong.

The TES sector constitutes a multi-billion-rand industry. Labour brokers employ over 20 000 internal staff and over 1 million temporary staff.

The use of TES providers is fundamentally connected to peaks in demand and to filling in for absent employees. Temporary workers or assignees are not substitutes for permanent workers, but are connected to production, manufacturing, distribution, agricultural and other business cycles that result in a variable demand for labour.

The TES industry has long advocated the need for specific regulation to govern this sector. Primeserv is committed to regulation that is fair, effectively enforced and that recognises the dynamic nature of the current labour market. The Group recognises that, in order to remain competitive, business is increasingly choosing to outsource non-core functions, as well as to contract specialist skills for specific projects.

In order to effectively manage the sourcing, recruiting, deployment and administering of flexible labour resources, business is therefore looking to the larger, reputable TES specialists, such as Primeserv, to meet their staffing needs.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Primeserv has continued to place emphasis on a number of the more broad-based aspects of the B-BBEE scorecard. A range of initiatives related to skills development, preferential procurement, enterprise development and socio-economic development are also being explored and implemented. Its ownership credentials at the subsidiary level are satisfactory. The scorecards for individual Group entities are available for review on the Group's website.

CORPORATE CITIZENSHIP

The Primeserv Board is committed to the principles of openness, integrity and accountability, as well as to the provision of timeous, relevant and meaningful reporting to all stakeholders. Board members 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.

Details relating to the Group's corporate governance policies and procedures, as well as its sustainability, are available in the Integrated Report.

DIVIDENDS

No final dividend is proposed for the 2014 financial year.

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

OUTLOOK

Over the past two years, Primeserv has become a more streamlined, efficient and operationally effective organisation, and this should provide a sustainable platform for the future.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank all of our stakeholders for their support during the year. We look forward to continuing our mutually beneficial relationships in the years to come.

Thanks are also due to our Chairman and our Board of Directors for their support, diligence and efforts on behalf of the Group throughout the past year. In particular I would like to extend my appreciation to Professor Saul Klein who after many years of exemplary and valued service, has, in view of his international commitments arising from his role as Dean and Landsdowne Professor of International Business of the Gustavson School of Business, University of Victoria, Canada, decided not to offer himself for re-election to the Board. His broad strategic input will be missed.

Finally, I would like to extend my special thanks to our management team and all Primeserv employees and contractors for their hard work and dedication, during the past year.

MERRICK ABEL
Chief Executive Officer

Revenue from continuing operations was R638,8 million, a decrease of R34,0 million compared to the prior year R672,8 million. Gross profit from continuing operations increased from R90,6 million to R98,1 million.

	2014 R'000	Restated* 2013 R'000	Variance R'000	Variance %
REVENUE – Including Discontinued Operations				
Human Capital Outsourcing	**605 932**	642 622	**(36 690)**	(6)
Human Capital Development	**34 319**	62 052	**(27 733)**	(45)
Total	**640 251**	704 674	**(64 423)**	(9)
REVENUE – Continuing Operations				
Human Capital Outsourcing	**605 932**	642 622	**(36 690)**	(6)
Human Capital Development	**32 859**	30 167	**2 692**	9
Total	**638 791**	672 789	**(33 998)**	(5)
GROSS PROFIT – Continuing Operations				
Human Capital Outsourcing	**73 473**	75 008	**(1 535)**	(2)
Human Capital Development	**24 648**	15 576	**9 072**	58
Total	**98 121**	90 584	**7 537**	8

** Restated for IFRS 10*

The Group's gross profit from continuing operations showed an improvement of 8% over the prior year, albeit at lower sales, due to a swing from lower margin clients to some with higher margins across different industry segments.

DEPRECIATION AND CAPITAL ADDITIONS

During the year a total of R1,2 million was spent on capital additions across the Group, mainly for computer equipment and training and course material. Depreciation for the year was R1,4 million compared to R1,6 million for the last financial year. No major additions are intended in the forthcoming year.

OPERATING PROFIT

Operating profit for the year from continuing operations increased by 87% from R6,7 million to R12,6 million. Central Services has continued to contain costs and its net operating costs were R13,3 million compared to R13,6 million in the comparable period.

HUMAN CAPITAL DEVELOPMENT

The segment's revenue from continuing operations increased by 14% from R30,2 million to R32,9 million. Continuing operations within the segment recorded a better performance delivering an operating profit of R0,6 million compared to an operating loss of R2,1 million in the comparable period. EBITDA improved by R2,3 million from a loss of R1,2 million to an income of R1,1 million. The segment's Days Sales Outstanding (DSO) has moved out from 65 days to 143 days, largely due to delays in receipts from SETA-funded projects, albeit that a significant amount was collected subsequent to the year-end.

HUMAN CAPITAL OUTSOURCING

Revenue for the segment decreased by 6% from R642,6 million to R605,9 million, with operating profit increasing by 13% from R22,5 million to R25,4 million. EBITDA increased by 14% from R23,6 million to R27,1 million. The segment's DSO showed an improvement from 46 days to 42 days. The segment continues to focus on working capital management, margin improvement and operating efficiencies.

PROFIT BEFORE TAXATION

Profit before taxation from continuing operations was R7,8 million, an increase of 164% over the R3,0 million earned in the prior year.

TAXATION

As the Group has improved its overall profitability and has also invested less in learnership programmes, there has been a return to a tax charge position from a tax credit position in the prior year.

DISCONTINUED OPERATIONS

At the end of April 2013 the Group disposed of the non-core loss-making Colleges division and in so doing has avoided concomitant closure costs and other ongoing commitments to learners registered with the business. The net after tax effect for the year was a charge of R2,0 million compared to R9,0 million for the prior year.

EARNINGS PER SHARE

The earnings per share and diluted earnings per share from continuing operations increased from 5,35 cents to 8,65 cents. Overall earnings per share increased from a loss of 4,26 cents per share to a profit of 6,51 cents per share. Similarly, headline earnings per share and diluted headline earnings per share from continuing operations increased from 5,28 cents per share to 8,65 cents per share while that for the overall Group improved from a loss of 3,05 cents per share to a profit of 6,51 cents per share.

DIVIDENDS

As part of a programme to reduce the overall level of borrowings and gearing, the Group did not pay a dividend during the year. Net cash will be preserved to fund any growth opportunities that present themselves.

STATEMENT OF FINANCIAL POSITION

The Group's statement of financial position has shown an improvement in many respects when compared to the last financial year. The investment in trade receivables has decreased from R106,6 million to R94,6 million, with the average DSO improving from 51 days to 47 days. Trade payables have also decreased, by R13,3 million from R43,8 million to R30,5 million. This is due in part to the payment of statutory amounts relating to bargaining councils which were previously held as provisions. The overall level of borrowings at year-end decreased by R6,5 million from an aggregate of R55,6 million to R49,1 million. The net asset value per share improved by 9% from 76 cents per share to 83 cents per share.

CASH FLOW

Cash flows relating to operating activities was a positive R1,8 million which reflects a R9,7 million turnaround from the net outflow of R7,9 million for the comparable period. Cash flows attributable to investing activities was an outflow of R1,9 million, relating primarily to the acquisition of equipment and training materials. The R5,0 million outflow in financing activities relates primarily to the settlement of a short-term loan through additional bank borrowings.

CONCLUSION

The return to operating profit across both business segments and the mitigation of the costs associated with the discontinued Colleges operation have improved the Group's balance sheet and is expected to improve cash generation.

RAPHAEL SACK
Financial Director

HUMAN CAPITAL DEVELOPMENT

This segment's revenue increased by 14% from R30,2 million to R34,3 million and it recorded a decrease in its overall operating loss from R7,9 million to R1,4 million. The discontinued Colleges business incurred a loss of R2,0 million compared to a loss of R5,8 million in the previous year.

Continuing operations recorded a better performance, delivering an operating profit of R0,6 million compared to an operating loss of R2,1 million in the previous year. EBITDA improved by R2,5 million from a loss of R1,2 million to an income of R1,1 million.

Primeserv's Human Capital Development segment's operations are accredited with:

- The Department of Education (2011/FE07/064)
- The Department of Labour (No. CI 259)
- The ETDP SETA (No. ETDPS1159)
- The Services SETA (No. 2194)
- The Wholesale and Retail SETA (Ref. 413)
- The Transport Education and Training Authority (TETA) (No. TETA 03-017)
- The Construction Education and Training Authority (CETA) (No. 5R5016)
- The Department of Transport (Approval No. PRDP(D) 2008/6)

During the year under review the unit trained 10 428 learners, 725 of whom were enrolled for learnerships, 60% of which were funded. The remaining 9 703 learners were enrolled in short skills programmes.

Primeserv HR Solutions

Primeserv HR Solutions provides the framework within which the Group is able to deliver on the Primeserv Int**HR**grate™ Model. A specialised recruitment and talent management unit was added to this division in the last financial year, and this is currently being expanded.

Primeserv HR Solutions is passionate about and committed to partnering with clients in order to provide HR and IR consulting and development interventions that assist in achieving their organisation's strategic goals.

During the 2014 financial year, the division increased its involvement with client organisations through an expanded product and services offering designed to support their business strategies. This strategically aligned and targeted approach has enabled Primeserv HR Solutions to:

- assist clients in the process of meeting their B-BBEE requirements with regard to skills development, procurement, social responsibility and employment equity;
- partner with clients and build strong relationships in order to provide long-term and annuity income-based business;
- expand into defined industries and sectors, especially the wholesale and retail sectors;
- expand its geographic footprint; and
- adopt a balanced approach to providing funded learnerships in relation to other learning solutions and consulting services in order to mitigate the risk associated with changes in the SETA landscape.

Further, with the assistance of the Department of Education, new projects piloted in the Eastern Cape have created joint relationships between clients, unemployed learners, disabled learners and sourced workplace site hosts. A number of schools in historically disadvantaged communities have benefitted from these projects, with learners obtaining valuable practical experience when being placed on-site to assist teachers and administrative staff.

Primeserv HR Solutions is also expanding its involvement in learnerships and qualifications-based training in order to include pre-assessments, increase learner retention and provide recruitment support for learners looking for employment.

This targeted approach has resulted in improved results and has created a platform for further sustainable growth.

Human Capital Consulting Unit

The current range of HR consulting services, which are aligned to Primeserv's Int**HR**grate™ Model, includes:

- business strategy workshops;
- HR strategy workshops that encompass learning and development, talent management etc;
- business, functional, divisional, job and role profiles;
- competency and psychometric assessments;
- skills audits and training needs analysis;
- customised learning interventions;
- performance management processes, job evaluations and grading;
- remuneration and reward systems and processes;
- policies and procedures;
- surveys (working climate, ethics, B-BBEE etc);
- IR consulting including absenteeism support and IR training programmes
- occupational safety, health, environment and quality consulting;
- employee assistance, consulting and support programmes;
- HIV/Aids support programmes; and
- B-BBEE advisory support.

Skills Development Unit

Primeserv's range of skills development products and services has been expanded to include:

- structured qualification-based learning and development interventions, including an expanded range of learnerships;
- flexible modular contact sessions to enable private and/or individual learners not sponsored by their employers to obtain full qualifications;
- further expansion into the wholesale and retail operations arena; and
- the introduction of an NQF Level 1 foundational qualification in Business Practice.

This has involved the systematic integration of the Corporate Training and Technical Training business units into a single Learning and Development unit. All accredited course offerings are aligned to qualifications ranging from NQF Level 1 to NQF Level 5.

Learning interventions comprise both SETA accredited and non-accredited courses and workshops in the areas of:

- Business Administration;
- Business Management;
- Business Practice;
- Contact Centre Management;
- Construction Training;
- Customised Training;
- Driver Training;
- Health and Safety Training;
- Heavy Plant and Equipment Management;
- Lifting Machinery Operations;
- Marketing;
- OD-ETDP;
- Project Management; and
- Wholesale and Retail Operations.

The training unit is accredited with SSETA, ETDPSETA, TETA, CETA and HWSETA, and has numerous memorandums of understanding (MOUs) in place. It is also accredited with the Department of Labour (DOL) and the Department of Transport (DOT). Primeserv Corporate Solutions Proprietary Limited obtained DHET accreditation in 2013 (Registration No: 2011/FE07/064).

The unit's training options include:

- an extensive public course schedule, which is offered on a national basis and which is structured for small- to medium-sized clients or those unable to release a large number of learners at any one time;
- customised in-house interventions;
- purchasable programmes, train-the-trainer programmes and/or licence agreements designed for clients with their own internal training and assessment capabilities;
- modular learning interventions designed to result in a full qualification, which are suited for private or individual learners; and
- learnerships, which are structured for clients which are able to offer a workplace site for practical training for either employed or unemployed learners.

HUMAN CAPITAL OUTSOURCING

Revenue for this segment decreased by 6% from R642,6 million to R605,9 million, with operating profit increasing by 13% from R22,5 million to R25,3 million. EBITDA increased by 14% from R23,6 million to R27,1 million. The segment's Days Sales Outstanding showed an improvement from 46 days to 42 days, and it continues to focus on working capital management, margin improvement and operating efficiencies.

The performance of the professional draughting and engineering staffing unit was stable, but it is still largely dependent on infrastructure projects, as is the segment's mega-project wage bureau unit.

Performance within the Blue Collar Outsourcing unit's flexible staffing operations, which are largely involved in the logistics, warehousing, distribution, industrial, manufacturing, construction and engineering sectors, has remained solid, with some signs of growth emerging.

The centralisation process across Primeserv's Blue Collar Outsourcing unit has been completed, and the unit is experiencing the benefits of this process.

The Human Capital Outsourcing segment's offering of extensive specialised expertise across the full spectrum of business and industry – and across a multitude of job categories and bands – means that thousands of contract staff are operational on a day-to-day basis. Access to a proprietary database of fully screened candidates in the unskilled, semi-skilled, skilled and professional categories enhances the services offered. Experienced staff with sector specific knowledge support service delivery through the use of customised information technology and management information systems. The various operating brands within this segment are well placed to meet the needs of its clients. The operations have sought to enhance their offering through dedicated and specialised skills assessment centres thus ensuring staff to be placed on site are indeed suitably competent to perform the required duties.

Primeserv's Human Capital Outsourcing units are well positioned in their operating environment to leverage their strong market position as customer-centric service providers of human capital solutions. The key to proactively meeting and embracing the new labour legislation in a manner that will benefit both clients and contract workers is inherent in Primeserv's Human Capital Outsourcing business model. This encompasses a tried-and-tested national infrastructure with a full-service, integrated human capital capability, supported by systems and processes designed to meet client and industry specific needs.

The Board and its individual directors are committed to the values of transparency, integrity, responsibility and accountability, as well as to the highest standards of corporate governance. Through this commitment, it is their intention to ensure that the Group is – and is seen to be – a responsible corporate citizen. The Board accepts its duty to ensure that the principles set out in the King Report on 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.

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 that Primeserv operates within the framework of good business practice. This is complemented by the Primeserv Pledge, which encourages all 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; and
- exceed customers' expectations every day.

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

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

Responsibility: The Board assumes responsibility for the assets and actions of the Group and, if necessary, corrective action is taken to ensure that the Group, its subsidiaries and business units keep to their strategic paths;

Accountability: The Board ensures that it is able to justify its decisions and actions to shareholders and other stakeholders;

Fairness: Fair consideration is given to the interests of all stakeholders by the Board; and

Transparency: Information is disclosed by the Board in such a manner that it enables shareholders to make an informed assessment of the Group's performance.

THE BOARD, DIRECTORS AND BOARD COMMITTEES

The Board

The Board, which is chaired by JM Judin, consists of four independent non-executive directors, one non-executive director and three executive directors. The Board has knowledge of and recognises the involvement of the Chairman in various bodies that, like his contribution to Primeserv itself, assures its members of his suitability for his role. His directorships and chairmanships of other companies do not in any way compromise his position as the Primeserv Chairman. In order to ensure business continuity, a succession plan for the position of Chairman has been put into place.

The Board meets regularly and retains full and effective control over the Group. The roles of the Chairman and the Chief Executive Officer are separated, in line with the recommendations of King III and the regulations of the JSE, 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 7 .

The Board ensures that there is an appropriate balance of power and authority amongst its members so that no single individual or group of individuals can dominate its decision-making processes.

In line with King III, 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 on matters requiring the Board's attention.

The independence of independent non-executive directors is assessed annually, and this is based on input by each independent 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 Group. Where practical, the Board assesses the materiality of the directors' interests, but considers that amounts constituting less than 5% are not material.

The Board defines levels of materiality, reserving specific powers for itself and delegating other matters, together with the necessary authority, to management. A process of control enables the Board to assess and mitigate risks where possible, and directs the attainment of the Group's objectives. This environment sets the tone for the Group and encompasses ethics and values, organisational philosophy and employee competence.

The Board carefully monitors any actual or perceived conflicts of interest, and disclosure of both internal and external interests is required at each Board meeting. As a JSE-listed entity, the Group has implemented a policy that governs the dealing in its 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 Group information, records, documents and property. All directors have access to the advice and services of the Company Secretary and, where they deem it necessary, they 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 merely a recipient of strategy proposed by management. The directors appreciate that strategy, risk, performance and sustainability are inseparable. It therefore considers not only the financial performance of the Group, but also the possible impact of its various operations on society and the environment as a whole, while also 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. It recognises that a sustainable group of companies is dependent on a cohesive strategy that embraces not only financial performance but also strategies that take into consideration 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 responsibilities. 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
- Social and Ethics Committee.

The Company Secretary

The Board has access to a professional company secretarial service, whose representative is not a director of the Board. Certain of the responsibilities of the Company Secretary are attended to by the Financial Director and/ or the Group Legal and Risk 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 Board of Directors has considered and is satisfied that the Company Secretary has the required competence, qualifications and experience for the position.

The Audit, Governance and Risk Committee

The Report of the Audit, Governance and Risk Committee is set out on pages 35 and 36.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee ensures that the Group's remuneration structures adequately attract and retain talented and relevantly experienced individuals who can make a contribution to the Group's sustainability. It recommends compensation policies and remuneration packages that support the Group's strategic and tactical objectives, and remunerates and rewards employees for their contribution to strategic, operating and financial performance.

The Committee operates in terms of a charter approved by the Board, from time to time, refers certain matters to shareholders for approval. These include, for example, new and amended share-based incentive schemes and non-executive directors' fees. The Board deliberated on and accepted the recommendations made by the Committee during the course of the 2014 financial year.

The Committee comprises JM Judin (Chairman) and LM Maisela. Both members of the Committee are non-executive directors. On average, the Committee meets twice a year, and the Chief Executive Officer attends these meetings by invitation. It is his role to assist the Committee in accessing information and in certain of its deliberations, except when issues relating to his own compensation are discussed. No director is involved in deciding on his or her own remuneration.

The Committee is also 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 for groups and companies listed on the JSE. Executive directors have employment contracts and restraint agreements, and all of the executive directors are bound by these.

The Committee reviews the Board's required mix of skills, experience and other qualities on an annual basis in order to assess the effectiveness of the Board, its various 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 in order to enhance organisational decision-making and ensure optimal organisational stability.

In terms of its charter, the Social and Ethics Committee may recommend candidates who it believes are not only suitably qualified and who will be assets to the Board, but who will also further the transformation of the Group.

All non-executive, are subject to election by shareholders, retire by staggered rotation and stand for re-election in accordance with the Group's Memorandum of Incorporation. At least one-third of the non-executive directors, retire by rotation at the Group's annual general meeting.

The names of the non-executive 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.

While 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 their appointment. Any changes to the Board are published on the JSE's SENS. The Group has an induction programme for all new directors, and management teams that take into account their individual experience, skills and requirements.

A summary of the Group's remuneration policy is set out on pages 26 and 27.

Social and Ethics Committee

During course of the 2013 financial year, the Transformation Committee was renamed the Social and Ethics Committee, and its membership comprises LM Maisela (Chairman), CS Shiceka and M Abel. The Committee assists the Board in ensuring that there are appropriate strategies and policies in place to further transformation.

The Committee seeks to address any and all issues pertaining to the transformation of the Group into an organisation that is relevant within the context of a democratic South Africa, and it is tasked with ensuring that the composition of the Group is fully representative of the country's demographic and cultural landscape. 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, a range of measures - including affirmative action — that do not detract from the organisation's long-term goal of delivering sustainable returns to shareholders and stakeholders alike.

The statutory duties and responsibilities of the reconstituted Committee, as outlined in Regulation 43(5) of the Companies Act, is to monitor the Group's activities in relation to relevant legislation, other legal requirements and the prevailing codes of best practice.

Audit Governance and Risk Committee

The Audit Governance and Risk Committee's terms of reference are set out in an Audit, Governance and Risk Committee Charter, which complies will all applicable legislation and is available on request. The Charter includes the specific requirements relating to auditors and audit committees as set out in the Companies Act and King III. Any amendments to the Charter, which are made 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 the 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;
- ensuring the reliability and accuracy of financial information provided to shareholders and other users of financial information;
- appointing external and, where deemed necessary, internal auditors;
- assessing the relevance, impact and resolution of accounting or auditing issues identified by external auditors;
- ensuring compliance with legal and regulatory provisions, including stock exchange requirements;
- formulating and updating the Group's Memorandum of Incorporation;
- formulating updating the Code of Conduct; and
- formulating and updating the by-laws and rules established by the Board.

In liaison with the executive directors and senior management, the Board 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 assists the Board in reviewing both the risks facing the Group and the risk management process.

It is the Board's responsibility to determine the Group's tolerance or appetite for risk. The role of the Audit, Governance and Risk Committee is to ensure that the Group has effective, ongoing processes designed to identify and assess risk, and to implement whatever measures are necessary in order to manage this risk proactively.

The Committee meets with the Chief Executive Officer, Financial Director, Legal and Risk Director, HR executive and other senior executives and managers if and when required. It also meets with the external auditors to discuss issues related to accounting, auditing, internal controls, financial reporting and corporate governance.

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.

ATTENDANCE AT MEETINGS

The number of meetings attended by each of the directors of the Group and members of Board Committees during the period 1 April 2013 to 31 March 2014 is set out in the table below, with the number in brackets reflecting the number of meetings held while the director was in office.

Board	
JM Judin (Chairman)	4 (5)
M Abel	5 (5)
S Klein	5 (5)
LM Maisela	5 (5)
DL Rose	5 (5)
R Sack	5 (5)
DC Seaton	5 (5)
CS Shiceka	1 (5)
Audit, Governance and Risk Committee	
DL Rose (Chairman)	4 (4)
S Klein	4 (4)
CS Shiceka	2 (4)
M Abel*	4 (4)
R Sack*	4 (4)
DC Seaton*	4 (4)
Remuneration and Nomination Committee	
JM Judin (Chairman)	2 (2)
LM Maisela	2 (2)
M Abel*	2 (2)

*attended by invitation

GOVERNANCE OF RISK

The identification of risks and opportunities is robust and systematic, and takes place at all levels of the Group. A comprehensive risk management policy is entrenched throughout the Group, and the Audit, Governance and Risk Committee monitors its implementation. As part of the process, a heat risk map is used, and this is a standing item on the Committee's agenda. Risk management presentations and updates are done by management at each meeting.

The Group's risk management processes include:

- the development and annual review of a risk management policy and plan for presentation to and approval by the Board;
- the dissemination and implementation of this policy and plan throughout the Group;
- regular presentations and recommendations to the Board concerning the Group's levels of tolerance and appetite for risk;
- integration of the risk management plan into the day-to-day activities of the Group;

- assessment and management of risk within the levels of tolerance and appetite approved by the Board;
- frameworks and methodologies to anticipate and mitigate where possible against unpredictable risks;
- pre-specified risk responses at management and executive level;
- guidelines for monitoring the response to risk;
- formal opinions on the process of risk management and the effectiveness of the risk management system;
- reporting on risk management that is timely, comprehensive, accurate 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, uses credit insurance.

Key-man policies cover key executives wherever possible, and liability cover is taken out for fidelity, directors' liability, loss of profits, political risk, general liability and professional liability. The Group reviews its insurance portfolio at least on an annual basis, in line with its risk-averse approach to insurable matters.

GOVERNANCE OF INFORMATION TECHNOLOGY

The Board recognises the important role that information technology (IT) governance has to play in the management of risks and the achievement of Group objectives. It therefore has an IT governance framework, which provides management with ways in which to understand and manage the risk associated with IT and to deliver value from its use.

The framework also helps to bridge the gaps between business requirements, control needs and technical issues. It is a control model designed to meet the needs of IT governance and to ensure the integrity of information and information systems.

Implementation of the IT governance framework has been a phased process, commencing in 2012 and progressively broadening to include:

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

The roll-out of new payroll and accounting packages was completed during the 2013 financial year, and certain updates to both hardware and software were implemented throughout the 2014 financial year. IT will continue to be a standing item on the heat risk map.

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 in order to ensure compliance, and business processes have to be aligned to the legislative framework.

Legislation

During the financial year under review and more recently to the date of issue of this report the South African legislature has enacted several labour law amendment Acts and new legislation which will have a material impact upon both direct employers as well as TES employers.

The legislation and major provisions thereof are as follows:

The Employment Equity Act

Enacts provisions providing for: Temporary employees to be included in clients' employee reporting obligation. Significant penalties for non-compliance. Expanded definition of unfair discrimination, shift of onus of proof and requirement that the same conditions of employment apply to employees performing the same or substantially the same work or work of equal value receive the same remuneration and benefits. Includes TES employees.

The Basic Conditions of Employment Act

Enacts provisions to prohibit unlawful charges levied on employees, provides for the enforcement of certain laws by labour inspectors and significantly increases penalties for non-compliance.

The Employment Services Act

Requires registration of all employment services providers and separate registration of TES providers. Criminal offence for a client to deal with a non-registered provider. Requirements for registration still to be promulgated. Also establishes a Public Employment Services capacity.

The Labour Relations Act

The most significant amendments are contained in this Act and are of primary application to employers of temporary/part-time employees. Employees who have held a part-time/temporary position for more than three months will be deemed to be entitled to the same benefits as permanent employees of the enterprise. In regard to entities utilising the services of TES providers, the entity utilising the services will also be deemed to be the employer in regard to dismissals by a TES employer, (due to operational requirements), where such entity has utilised the services of the employee for three months or more. Employees in a project environment on limited duration contracts are given rights to additional compensation on termination of contracts. Unions without majority representation are given rights of recognition in a workplace. Additional requirements in regard to security to be provided by employers in contested CCMA matters.

The cumulative effect of these amendments will be to considerably reduce the flexibility of employers in regard to temporary employment and particularly in regard to such practices engaged in directly by employers. There will be significant increases in the cost of employment and this will in all likelihood lead to a reduction in the numbers of people employed as employers adjust to the increased costs and risks of employment.

The impact of these measures are more significant for direct employers than for TES providers.

Primeserv has and continues to ensure that all of its operations are conducted in strict compliance with all legislation of application to its business. In anticipation of and in response to the legislative amendments, Primeserv has taken all steps necessary to ensure that its contracts and systems are in place to ensure ongoing compliance and to provide a premium quality service to its clients. All staff are properly trained and equipped to deal with issues arising out of the amendments.

The Companies Act

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

Primeserv's Memorandum of Incorporation was approved by shareholders at the general meeting held on 30 April 2013.

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 on 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 the period from 30 September to the publication of the interim results. Similar restrictions apply during any period when a transaction that is reasonably likely to be concluded is being negotiated, especially if the information relating to the transaction 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

Solvency and liquidity

The directors have no reason to believe that 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 be profitable during the financial year to March 2015;
- 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 those being undertaken in the normal course of business; and
- the Group is monitoring and responding proactively to the spirit and terms of changes in legislation and B-BBEE 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 in order 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 rather than absolute assurance against material misstatement or loss. There is an ongoing process of identifying, evaluating, managing, monitoring and reporting on significant risks faced by the Group.

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 checks and external audits.

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

Internal audit

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

STAKEHOLDER RELATIONSHIPS

The Board accepts its duty to present a balanced and understandable assessment of the Group's position when reporting to stakeholders. Reporting addresses material matters of significant interest and concern to all stakeholders, and presents a comprehensive and objective assessment of the Group so that shareholders and stakeholders with a legitimate interest in the Group's activities can obtain a full, fair and honest account of its performance.

Primeserv continues to evolve its stakeholder engagement policy, which is aimed at aligning the Group's stakeholder engagement policies and processes with the principles outlined in King III. From a Board perspective, this involves:

- acknowledging that stakeholder perceptions affect the Group's reputation;
- delegating the responsibility of dealing proactively with stakeholder relationships to management;
- striving to achieve an appropriate balance between stakeholder groupings in the best interests of the Group;
- ensuring disputes are resolved as effectively, efficiently and expeditiously as possible;
- ensuring that the Group treats all stakeholders equitably;
- ensuring that no single shareholder is given price-sensitive information, irrespective of his or her shareholding in the Group; and
- ensuring transparent and effective communication with stakeholders, which is essential to building and maintaining confidence and trust.

The Board has identified the key stakeholders of the Group as being:

- Shareholders;
- Customers;
- Employees;
- Communities;
- Government; and
- Industry bodies.

Details of the Group's engagement with these stakeholders is outlined on pages 8 and 9.

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

ANNUAL GENERAL MEETING

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

The Group recognises the importance of its shareholders' attendance at its AGM. The designated auditor of the Group may attend the meeting in order to respond to any questions relevant to the audit of the financial statements.

All participants are required to provide satisfactory identification at the meeting. Acceptable forms of identification include original and valid identity documents, driver's licences and passports.

Shareholders who wish to participate in the AGM by way of electronic participation should make application to the transfer secretaries to do so. The Group reserves the right not to provide for electronic participation in the event if it determines that it is not practical to do so. The cost of accessing any means of electronic participation provided by the Group will be borne by the shareholder accessing the facility. Shareholders are advised that participation in the AGM by electronic participation does not entitle that 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 AGM.

INTEGRATED REPORTING AND DISCLOSURE

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

A detailed register referencing each of the principles set out in King III appears on Primeserv's website.

Primeserv's remuneration philosophy focuses on developing the value of its people. By offering fair and market-related remuneration, the Group aims to empower every employee to make a positive contribution to the growth and sustainability of the business.

Performance reviews at individual, divisional and Group level are considered when formulating Group strategies and objectives, and an appropriate balance is sought between employee and shareholder interests.

The Board remains ultimately responsible for the remuneration policy.

REMUNERATION OF 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 AGM, although they may make themselves available for election by shareholders.

Non-executive directors serve until such time as, in accordance with the Group's Memorandum of Incorporation, they are required to retire by rotation, at which point they may seek re-election. Within this context, the length of service of non-executive directors who have served for more than ten years has been reviewed. Given the need for continuity in an industry subject to legislative uncertainty, the size of the Group and its ability to attract and retain essential skills, the Board has decided that the continued involvement of long-serving directors is beneficial to the Group.

Remuneration

Non-executive directors are required to be remunerated for their contribution to the Board and Board Committees. Compensation for loss of office is not a contractual agreement.

The annual remuneration and/or fees payable to non-executive directors are based on a fee for membership and, where applicable, for assignment to Board Committees. Fees take into account chairmanships of the Board; the Audit, Governance and Risk Committee; the Remuneration and Nomination Committee; and the Social and Ethics Committee. Shareholders are requested to approve special resolutions dealing with the remuneration of non-executive directors from time to time.

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. There are no pension benefits for non-executive directors. Executive management reviews non-executive directors' remuneration and makes recommendations to the Board which, in turn, proposes fees for approval by shareholders at the AGM.

Non-executive directors' remuneration is listed on page 27.

REMUNERATION OF EXECUTIVE DIRECTORS

Remuneration

Remuneration of executive directors is determined through a process of needs evaluation and benchmarking, using current market information relating to remuneration and reward practices. Market conditions impact on the ability to attract and retain experienced executives with relevant industry experience, and the key nature of executive positions is also taken into account when determining remuneration. Fixed remuneration may be complemented by performance bonuses, which may reach up to 70% of executives' basic packages.

The Group's longer-term incentives for key executives include share options, share purchase schemes and share awards.

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

Remuneration packages are constituted of the following:

- basic salary, which is determined by market value and the executive's role;
- short-term cash-based incentives, which are determined by fulfilment of performance targets; and
- long-term cash and share-based incentives, which are determined by the successful development and implementation of a sustainable business strategy, growth in shareholder value, as well as by behaviour consistent with this goal.

The extent of managerial responsibility, together with actual workplace location, plays a role in determining basic remuneration of executive directors. Details of directors' remuneration are listed on page 62.

Terms of service

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

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 to 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 for the Group. Share-based incentive schemes aligning the interests of the Group, its subsidiaries, business units and employees are intended to promote this goal by attracting and retaining high-calibre personnel. Share incentive awards are made by the Remuneration and Nomination Committee only when business and individual performance targets have been attained.

Directors' remuneration for the 12 months ended 31 March 2014 is shown in note 25 on page 62.

Non-executive remuneration

Non-executive directors receive a base fee plus an attendance fee per meeting. Below are the fees proposed in relation to the 2015 financial year.

Role	Base fees R	Attendance fees per meeting R	Attendance fees at all scheduled meetings R
Chairman	69 000	16 000	64 000
Non-executive directors	21 000	16 000	64 000
Chairman of Audit, Governance and Risk Committee	69 000	–	–
Chairman of Remuneration Committee	11 000	–	–
Chairman of Social and Ethics Committee	11 000	–	–
Committee members			
– Audit	–	7 000	21 000
– Remuneration	–	5 000	10 000
– Social and Ethics	–	2 500	5 000

The fees in the table are for individual roles while the aggregate fees any single director earns for the 2015 financial year will be based on a combination of the fees for all roles performed.

The table below shows what the non-executive directors may be expected to earn for the 2015 financial year based on attendance at all scheduled meetings.

Non-executive director	Total fees year-end March 2015 R	Total fees year-end March 2014 R
M Judin	144 000	**140 000**
S Klein	106 000	**99 500**
L Maisela	106 000	**100 000**
D Rose	154 000	**145 000**
C Shiceka	111 000	**104 500**
Total fees	**621 000**	**589 000**

INTRODUCTION

Primeserv is fundamentally committed to meeting the needs of all its stakeholders, and is well positioned to play a role in advancing sustainable development in South Africa. The Group's sustainability strategy focuses on long-term social, economic and environmental objectives, including financial performance and non-financial issues.

At divisional level, Primeserv Outsourcing operates in an industry that has been subject to increasing levels of review by organised labour and government, leading to unprecedented uncertainty amongst employees, contractors, suppliers and clients. Regulation of the temporary employment services (TES) industry is imminent, and Primeserv is adapting its business model accordingly.

Final clarification of proposed regulations is, however, needed in order for this internationally recognised business practice to have a viable role in the economy. It is also needed in order for the TES industry to continue to provide a way for job seekers to enter the formal economy, which is especially relevant in light of South Africa's high unemployment rate. The Group believes in the validity and integrity of this services offering, as it supports not only Group objectives and client needs, but provides access to employment for job seekers that would otherwise not be available.

The Group is an active participant in a number of industry bodies that are working to resolve the uncertainty that still exists in the TES industry, and remains confident that a well-regulated environment can be of benefit to all parties concerned.

In contrast to this scenario, the Human Capital Development business units are well placed to provide the training and skills development that are the focus of many government policies. Within this context, the Group has continued with its programme of staff training and development, and actively ensures that the spirit of transformation is embodied in all of its recruitment initiatives.

The Group nevertheless acknowledges the risks that are inherent in the industry in which it operates, and continues to seek opportunities via acquisition that fall outside of its traditional sphere of activity. This process of diversification is intended to address the issue of long-term sustainability, while simultaneously integrating aspects of the existing business into new acquisitions wherever practical and beneficial to both parties.

Processes are in place to continuously assess the effectiveness and relevance of the Group's sustainability strategy. This reflects Primeserv's philosophy that the business's ongoing growth and development depend not only on economic factors and astute business management, but on the wellbeing and upliftment of its own people and the upliftment of the communities in which it operates through investment in corporate, social and environmental sustainability initiatives.

Primeserv has a commitment to all its stakeholders, including investors, employees, customers, suppliers and communities, to ensure that the business grows in a considered and socially responsible way. This is an objective that is embodied in the Primeserv Pledge, and one which is actively communicated to all staff.

SUSTAINABILITY AT PRIMESERV

	2014	2013
Revenue (R'000)	**640 251**	704 674
Revenue – continuing operations (R'000)	**638 791**	672 789
Operating profit – continuing operations (R'000)	**12 591**	6 732
Operating profit (R'000)	**10 589**	969
Trading margin – continuing operations (%)	**15**	13
Number of employees – (Permanent)	**332**	346
Total training spend (R'000)	**340**	352
Training spend per employee (R)	**1 024**	1 017
Percentage of employees attending HIV/Aids training (%)	**11**	5
Lost-time injury frequency rate	**0,81**	0,83
Work-related fatalities	**0**	0
B-BBEE procurement (R'000)	**71 022**	107 182
B-BBEE procurement as a percentage of discretionary spend (%)	**87,09**	71,15

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

Primeserv has long advocated the need for specific regulations to govern the TES industry. As a member of CAPES and Business Unity South Africa (BUSA), the Group is committed to regulation that is fair and effectively enforced, and which recognises the dynamic nature of the current labour market. Within this context, Primeserv regularly engages not only at the NEDLAC (National Economic Development and Labour Council) level of negotiation, but also with a broad range of stakeholders to identify opportunities to create such a regulatory framework.

In order to remain competitive, businesses in many sectors acknowledge the need to outsource non-core functions, as well as top engage specific skills for certain projects. The nature of these employment relationships varies, but most can still be defined as atypical.

In order to manage the sourcing, recruiting and administering of flexible labour effectively, business needs to look to specialists, especially in the form of TES providers such as Primeserv. In response to this local and international trend, the industry must continue to seek viable self-regulatory measures in order to prevent exploitative practices and to benefit all stakeholders.

At the time of reporting, labour seems to have softened its stance on the TES industry, and is no longer seeking to eliminate it completely. The work undertaken by CAPES, which is actively supported by Primeserv as a founding member, as well as the energetic role of the CEA (SA) LBD, has created a viable platform for compliance. This is a model supported and advocated by Primeserv.

In June 2013, the Parliamentary Portfolio Committee ("PPC") finally agreed and recorded in its formal reporting process concerning the future of labour broking (TES) that it is not the intention of its members to institute any form of ban on this industry, or to over-regulate its activities to the extent that labour brokers no longer have a role to play within the national labour market.

In short, the PPC's response to parliament and its formally confirmed stance towards the TES industry brought some stability to a volatile situation, and effectively secured its future existence. Both government and labour now acknowledge that the TES industry has a viable and important role to play in the South African economy.

Primeserv played an active role in initiating the negotiation process between business, government and the union confederations and, as such, has directly influenced both the NEDLAC and PPC stance towards the future of labour broking in South Africa. Both Primeserv's size as a meaningful player within this industry and its ability to positively influence and effect change in the TES industry, places the Group in an advantageous position within the industry.

GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS

Structures and systems

Primeserv interacts with all of its stakeholders according to the principles of transparency, reliability, integrity and trust. The Group's formal structures and systems, as well as its governance culture, encompass the principles of economic, environmental and social responsibility. The corporate governance report is detailed on pages 20 to 25 of this report and Primeserv's Corporate Governance Register for 2014 has been posted on the Group's website.

External initiatives

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

Group companies are also members of a number of industry-specific and general associations, which include but are 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; and
- Steel and Engineering Industries Federation of South Africa.

REPORT CONTENT AND SCOPE

Primeserv recognises that, as a responsible corporate citizen, it has a duty to both internal and external stakeholders to deliver on organisation objectives in such a way that it achieves the goals of sustainability and does not impact negatively on either society or the environment. This means that economic development must be achieved in harmony with the Group's immediate environment, as well as by taking into account such factors as climate change.

Within this framework, Primeserv's report on the Group's responsibility has been prepared using the terms of the widely used Global Reporting Initiative (GRI).

The Group has taken into account the reporting guidelines with specific reference to the areas in which it is able to exercise influence and for which it may be accountable. The significance of the entity in relation to sustainability and potential impacts has also been factored into the overall assessment, as have factors and circumstances outside the framework of traditional financial reporting considerations.

Based on an overall assessment of the rules for setting boundaries, as outlined in the GRI Boundary Protocol (2005), the Group has reported on its subsidiary companies. Entities that are considered to have no significant impact on the final outcome of a disclosure have been 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 various stakeholders on a regular basis using a number of communication channels, including the Primeserv website (www.primeserv.co.za) and other electronic and print media.

Details of this stakeholder engagement are outlined on pages 8 and 9.

ECONOMIC INDICATORS

Financial performance

The Group's financial performance and position are detailed in the annual financial statements, which are disclosed on pages 34 to 74.

Retirement funding

The Group presently contributes to defined contribution retirement benefit plans, being pension funds governed by the Pension Funds Act (1956). Retirement costs for the reporting period amounted to R2.4 million. There is no obligation to fund post-retirement medical benefits.

SOCIAL INDICATORS

Diversity and opportunity

The Group promotes equal opportunities and fair treatment in all aspects of employment, and seeks to eliminate all forms of unfair discrimination.

Non-discrimination

The Group does not discriminate, either directly or indirectly, against any employee in any of its employment policies or practices on the basis of race, gender, pregnancy, marital status, family responsibility, ethnicity, 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, which are in line with King III. 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 in order to protect the lives and wellbeing of employees and the integrity of the Group's assets.

Social and transformation

The Group, including the holding company and its subsidiaries, 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. In this way, it reinforces its diversity and aims to meet representational requirements.

Skills development

The Board monitors the Group's compliance with the Skills Development Act (1998), and ensures that the required plans and reports have been submitted to the relevant authorities.

Primeserv is committed to the growth of its own people, and recognises the need to continually improve the productivity and performance of its subsidiaries through training and development programmes.

Equity and practices

Consideration has been given to the Group's policies, procedures and practices, as well as to the working environment, in order to identify equity barriers and any other negative influences that may have an effect on the positive outcome of the Primeserv Employment Equity Plan. A designated officer manages and monitors the implementation of the plan, and a budget is allocated to support developmental goals.

Recruitment and advertising

The Group adheres to the following principles when recruiting:

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

Selection criteria and appointments

The Group's selection criteria are as follows:

- The defined competencies as per the job description form the basis on which applicants are screened.
- The applicant is not discriminated against on any grounds, including race, gender or belief.
- 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 an historically disadvantaged employee.

Skills development for historically disadvantaged employees

The Group's commitment to the development of all employees and to providing equal opportunities in the workplace is guided by the following principles:

- Alignment of skills development targets and programmes with employment equity objectives.
- Formulation of 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.
- Active mentorship, which consists of a developmentally oriented relationship between a senior and a junior colleague. Mentoring forms part of the evaluation criteria for promotion and assists in identifying designated employees for advancement and enabling them to do so.

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

Workforce profile

The table below depicts Primeserv's total number of permanent employees in each of the stipulated occupational levels for the year ended 31 March 2014.

	2014	2013
Total workforce	332	346
Total employees with disabilities	3	2
Workforce profile		
Race and gender profile		
White females	52	48
Black males	76	78
Black females	97	103
Occupational level profile		
Management (top, senior, middle and junior)	125	131
Non-management	165	185
Management profile by gender (top management, senior management, middle management, junior management)		
Females	64	71
Males	81	90
Management profile by race		
Black	63	74
White (includes foreign nationals)	77	87
Non-management profile by gender		
Females	118	121
Males	57	64
Non-management profile by race		
Black	125	133
White (includes foreign nationals)	46	52
Disability profile		
Management	1	1
Non-management	2	1
People with disabilities by gender		
Females	0	1
Males	3	1
Recruits (non-executive directors)		
Resignations (includes absconsions and desertions)	42	79
Non-renewal of contracts	0	0
Dismissals (misconduct and incapacity)	2	2
Other (including retirements)	1	1
Retrenchments	12	10

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

B-BBEE procurement

The objective of the Group's B-BBEE employment policy is to increase the amount of money spent on procurement from B-BBEE-compliant enterprises and those that score at least 30% on the relevant B-BBEE scorecard. Procurement from the above enterprises ensures that there is a ripple effect related to affirmative procurement throughout the economy.

CORPORATE SOCIAL INVESTMENT

Primeserv's corporate social investment (CSI) strategy is driven by the goal of uplifting disadvantaged communities. Since the country's future and sustainability depends on its youth, which Primeserv regards as particularly vulnerable, most of the Group's CSI efforts are focused on this group.

With this in mind, Primeserv provides financial and professional support to the Siyakhula Trust, which is playing an important role in building leadership capacity in Gauteng townships and amongst the rural youth. The Group has also concentrated on initiatives that provide viable development opportunities to young people, especially those living in rural areas and those infected with or affected by HIV/Aids.

During the 2014 financial year, the Group therefore continued to work with the NOAH (Nurturing Orphans of Aids for Humanity) Kingsway Ark to improve the lives and learning facilities for the more than 400 children under the Ark's care. 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 made a long-term commitment to leveraging the Group's resources and stakeholder network in order to assist NOAH in delivering the crucial services it renders to the community.

Aligned with its own core activities, Primeserv cooperates with other NGOs to provide skills training through the training component of the HR Solutions division. This initiative includes the provision of bursaries and subsidised computer and vocational training. Various community-based programmes have been 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 practice and human rights, including the Constitution, the Labour Relations Act (1995), the Employment Equity Act (1998), the Skills Development Act (1998) and the Basic Conditions of Employment Act (1997).

As a result:

- 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; and
- the guidelines of the International Labour Organisation (ILO) 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 uncompromisingly opposed to bribery and corruption, and has implemented various anti-corruption practices. Employees are discouraged from accepting any gifts or favours from suppliers that may obligate them in any way to reciprocate.

The Group has also implemented a system that encourages employees to report any suspicion or incidences of fraud, theft, corruption and similar unethical behaviour through a confidential and secure line of communication.

Competition and pricing

The Group supports and encourages free external and internal competition in its subsidiary companies and business units.

PRODUCT RESPONSIBILITY

Advertising

Advertising by the Group's operating divisions and business units is conducted through a variety of mediums, and targets the clients and markets that are appropriate to each entity.

The Group has no record of any charges having been laid by either the public or competitors regarding misleading or unfair practices or advertisements.

Privacy

Policies and procedures are in place to maintain client privacy.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

The Board recognises its responsibility for dealing with safety, health, environmental and quality (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 (1993) of South Africa.

Health

In terms of employee health, the Group pays attention to the HIV/Aids pandemic in southern Africa without disregarding other diseases that could pose a significant risk to both individuals and the business as a whole.

Quality

The Group sets high quality standards, which are managed through an internal review process. Most of the business contracts entered into by Primeserv are linked to agreed quality levels and, where appropriate, service level agreements are entered into between the Group's business units and their clients. Primeserv also adheres to the training standards set down by the relevant accreditation authorities, where applicable, and all training programmes are registered and accredited.

ENVIRONMENTAL INDICATORS

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

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, Baker Tilly SVG, 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 2014, and signed on its behalf by:

JM JUDIN
Non-Executive Chairman

M ABEL
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
Baker Tilly SVG
Registered Auditors

PREPARER
Raphael Sack
Financial Director

PUBLISHED
26 September 2014

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

For the year ended 31 March 2014 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 2014

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

for the twelve months ended 31 March 2014

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 Committee was elected by shareholders on 27 November 2013 to hold office until the conclusion of the annual general meeting to be held on 21 November 2014. 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 the period from appointment at one annual general meeting to the next annual general meeting. The composition of the Committee is reviewed and approved annually by the Board and members are recommended to shareholders for appointment at each annual general meeting. The Chairman is appointed by the Board immediately following election of the members by shareholders.

Shareholder approval of the appointment of the members of the Committee will be sought at the annual general meeting to be held on 21 November 2014. The members proposed for the Committee are Mr DL Rose and Ms CS Shiceka, both of whom are independent non-executive directors with the required skills and expertise, as outlined in the King III Report on Corporate Governance. The Board and the Nomination Committee are in the final stages of negotiating the appointment of a new independent non-executive director who will also be nominated for appointment to the Audit Committee and who will replace Professor S Klein who is not standing for re-election.

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

EXTERNAL AUDIT

The appointment of Baker Tilly SVG as auditors of the Group was approved by shareholders at the annual general meeting on 27 November 2013. 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 2014 financial year. The budgeted fee is considered appropriate for the work that could reasonably have been foreseen at that time.

Non-audit services rendered by the auditor are governed by a formal procedure and each engagement letter for such services, where material, is reviewed and approved by the Committee.

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

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 forthcoming annual general meeting, Baker Tilly SVG, as the external auditor and Lennard Vroom as the designated auditor for the 2015 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 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.

The Committee has considered the establishment of an internal audit function and given the size of the organisation, its internal controls and the cost benefit ratio of the establishment of such a function has decided, in consultation with the Board, that a permanent internal audit function is not warranted. The Group will, however, continue to perform internal audit in regard to certain key components utilising existing internal resources.

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

ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The 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 in all material respects with International Financial Reporting Standards and the requirements of the Companies Act.

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

The Committee fulfilled its mandate and recommended the Integrated Annual Report for the year ended 31 March 2014 for approval to the Board. The Board approved the financial statements on 26 September 2014 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 CA(SA), 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

DL ROSE
Chairman of the Audit, Governance and Risk Committee

DIRECTOR'S REPORT

for the twelve months ended 31 March 2014

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 40 to 72 of this report. A review of the Group's results and performance of the business units is contained in the Chief Executive Officer's Review on pages 14 to 15 and in the Review of Operations on pages 18 to 19 and the Financial Director's Report on pages 16 to 17.

SHARE CAPITAL

No changes in the authorised or issued share capital of the Company took place during the year 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, 27 November 2013, and registered by the Companies and Intellectual Property Commission ("general authority"). During the financial year under review, the Company acquired nil (2013: nil) 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, after the notice of the annual general meeting, for the succeeding 12-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 2014, 22 571 354 (2013: 22 571 354) shares were held by the Primeserv Group Limited Share Trust for distribution to employees in terms of the scheme. At the same date, nil (2013: nil) options have been granted to employees in terms of the rules of the share incentive scheme, leaving a surplus of 22 571 354 (2013: 22 571 354) shares.

The unallocated shares, together with the purchased shares, will be allocated or cancelled in the 2015 financial year. The impact of IFRS 2 – Share-Based Payments, and section 8C of the Income Tax Act No 58 of 1962 has been evaluated in order to determine the optimum use of the shares held as an incentive mechanism. The directors use the scheme to retain key personnel and for the purpose of providing opportunities to employees to participate in the Group's growth and success.

DIVIDENDS

No dividends were declared for the year (2013: nil).

DIRECTORATE

M Abel, JM Judin, S Klein, LM Maisela, DL Rose, R Sack, DC Seaton and Ms CS Shiceka were directors of the Company throughout the financial year under review and at the date of this report. In terms of the Memorandum of Incorporation of the Company, S Klein and CS Shiceka retire as directors at the forthcoming annual general meeting. CS Shiceka, being eligible, offers herself for re-election.

COMPANY SECRETARY

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

SUBSIDIARY COMPANIES

Details of the Company's interest in its subsidiaries is set out on page 71.

DIRECTORS' INTERESTS

As at 31 March 2014, the aggregate direct and indirect beneficial interests of directors in the fully paid issued share capital of the Company were:

	2014 Beneficial	2013 Beneficial
EXECUTIVE		
M Abel	**21 552 237**	21 494 848
R Sack	**685 500**	668 000
DC Seaton	**1 117 500**	1 100 000
NON-EXECUTIVE		
JM Judin	**950 000**	950 000
S Klein	**779 887**	779 887
LM Maisela	**50 000**	50 000
DL Rose	**70 000**	70 000
Ms CS Shiceka	**50 000**	50 000
Total – Directors	**25 255 124**	25 162 735
Prescribed Officers	**4 291 618**	4 316 618
Total – Directors and prescribed officers	**29 546 742**	29 479 353

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

There has been no material change in the directors' interest in the issued share capital between 31 March 2014 and the date of this report.

EQUIPMENT AND VEHICLES

The Group acquired equipment and vehicles at a cost of R1,2 million (2013: R1,1 million) during the financial year under review. No major changes in the nature of the equipment and vehicles occurred during this year.

GOING CONCERN ASSESSMENT

The Board 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 2015;
- 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.

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 balance sheet or income statement or are disclosable events.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PRIMESERV GROUP LIMITED

We have audited the consolidated and separate annual financial statements of Primeserv Group Limited set out on pages 40 to 72, which comprise the statements of financial position as at 31 March 2014, 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 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 2014, 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 2014, we have read the Directors' Report, the Audit, Governance and Risk Committee's Report and the Statement of Compliance by the Company Secretary 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.

Baker Tilly SVG

BAKER TILLY SVG
L Vroom
Partner
Registered Auditor

Melrose Arch
26 September 2014

STATEMENTS OF COMPREHENSIVE INCOME

for the twelve months ended 31 March 2014

		GROUP		COMPANY	
	Notes	**2014 R'000**	Restated* 2013 R'000	**2014 R'000**	2013 R'000
Revenue	1	**638 791**	672 789	**–**	–
Cost of sales		**(540 670)**	(582 205)	**–**	–
Gross profit		**98 121**	90 584	**–**	–
Operating profit/(loss)	2	**12 591**	6 732	**(675)**	(103)
Interest paid	3	**(5 766)**	(4 024)	**(56)**	(367)
Dividends received from subsidiaries		**–**	–	**4 488**	3 230
Interest received	4	**983**	254	**879**	296
Profit on disposal of subsidiaries		**–**	–	**187**	–
Net impairment of investment in subsidiaries and loans with subsidiaries		**–**	–	**–**	(7 476)
Profit/(loss) before taxation		**7 808**	2 962	**4 823**	(4 420)
Taxation	5	**(1 366)**	1 769	**147**	(177)
Profit/(loss) from continuing operations		**6 442**	4 731	**4 970**	(4 597)
Loss from discontinued operation (net of taxation)	6	**(2 002)**	(9 005)	**–**	–
Total comprehensive income/(loss)		**4 440**	(4 274)	**4 970**	(4 597)
Total comprehensive income attributable to:					
Ordinary shareholders of the Company		**6 096**	(3 991)		
– Continuing operations		**8 098**	5 014		
– Discontinued operation		**(2 002)**	(9 005)		
Non-controlling shareholders' interest		**(1 656)**	(283)		
Total comprehensive income		**4 440**	(4 274)		
Weighted average number of shares ('000)	7	**93 682**	93 682		
Diluted weighted average number of shares ('000)	7	**93 682**	93 682		
Earnings and diluted earnings per share (cents)	7	**6,51**	(4,26)		
– Continuing operations		**8,65**	5,35		
– Discontinued operation		**(2,14)**	(9,61)		
Headline earnings and diluted headline earnings per share (cents)	7	**6,51**	(3,05)		
– Continuing operations		**8,65**	5,28		
– Discontinued operation		**(2,14)**	(8,33)		

** Restated for the adoption of IFRS 10 as detailed in note 33 on page 69.*

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2014

	Notes	GROUP 2014 R'000	GROUP Restated* 2013 R'000	GROUP Restated* 2012 R'000	COMPANY 2014 R'000	COMPANY Restated* 2013 R'000	COMPANY Restated* 2012 R'000
ASSETS							
Non-current assets		**50 567**	44 701	47 856	**159 642**	137 521	136 036
Equipment and vehicles	8	**3 930**	4 086	6 964	**498**	673	801
Investment property	9	**7 645**	7 645	7 645	**–**	–	–
Goodwill	10	**18 170**	18 170	18 170	**–**	–	–
Intangible assets	11	**2 269**	2 775	2 992	**–**	–	–
Investment in subsidiaries	12	**–**	–	–	**98 330**	93 842	55 269
Loans to subsidiaries	13	**–**	–	–	**45 229**	33 728	70 510
Long-term receivables	14	**6 860**	1 050	1 214	**6 160**	–	–
Deferred tax asset	15	**11 693**	10 975	10 871	**180**	33	210
Advance to share trust	16	**–**	–	–	**9 245**	9 245	9 246
Current assets		**102 595**	120 532	111 650	**6 633**	11 657	12 020
Inventories	17	**200**	857	559	**–**	–	–
Trade receivables	18	**94 555**	106 624	93 353	**3 743**	–	–
Other receivables	18	**6 748**	5 227	6 246	**2 567**	5 007	1 104
Cash and cash equivalents		**1 092**	7 824	11 492	**323**	6 650	10 916
Non-current assets held for sale	6	**–**	1 639	–	**–**	–	–
Total assets		**153 162**	166 872	159 506	**166 275**	149 178	148 056
EQUITY AND LIABILITIES							
Capital and reserves		**70 742**	66 263	69 710	**86 791**	81 821	86 418
Ordinary share capital	19	**1 321**	1 321	1 321	**1 321**	1 321	1 321
Share premium		**1 351**	1 351	1 351	**1 351**	1 351	1 351
Distributable reserves		**89 385**	83 289	87 280	**30 438**	25 468	22 589
Non-distributable reserve	20	**–**	–	–	**55 729**	55 729	63 205
Treasury shares	21	**(14 748)**	(14 748)	(15 575)	**(2 048)**	(2 048)	(2 048)
Total equity attributable to equity holders of the Company		**77 309**	71 213	74 377	**86 791**	81 821	86 418
Non-controlling interest		**(6 567)**	(4 950)	(4 667)	**–**	–	–
Non-current liabilities		**–**	–	–	**76 681**	65 173	59 430
Loans from subsidiaries	13	**–**	–	–	**76 681**	65 173	59 430
Current liabilities		**82 420**	100 609	89 796	**2 803**	2 184	2 208
Trade and other payables	22	**30 545**	43 823	37 557	**1 690**	1 213	1 237
Current portion of financial liabilities	23	**–**	5 031	5 709	**–**	–	–
Taxation payable		**2 803**	1 180	1 216	**392**	971	971
Bank borrowings	24	**49 072**	50 575	45 314	**721**	–	–
Total equity and liabilities		**153 162**	166 872	159 506	**166 275**	149 178	148 056
Number of shares in issue at year-end ('000) (net of treasury and share trust shares)	19	**93 682**	93 682	93 682			
Net asset value per share (cents) (capital and reserves divided by number of shares in issue at year-end).		**83**	76	79			

** Restated for the adoption of IFRS 10 as detailed in note 33 on page 69.*

STATEMENTS OF CHANGES IN EQUITY

for the twelve months ended 31 March 2014

	Share capital R'000	Share premium R'000	Distributable reserves R'000	Non-distributable reserve R'000	Treasury shares R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
Group								
Opening balances at 1 April 2012	1 321	1 351	87 280	–	(15 575)	74 377	(847)	73 530
Restatement for adoption of IFRS 10 – note 33	–	–	–	–	–	–	(3 820)	(3 820)
Restated balance at beginning of year	1 321	1 351	87 280	–	(15 575)	74 377	(4 667)	69 710
Attributable earnings for the year	–	–	(3 991)	–	–	(3 991)	(283)	(4 274)
Shares disposed of	–	–	–	–	827	827	–	827
Balances at 1 April 2013	**1 321**	**1 351**	**83 289**	–	**(14 748)**	**71 213**	**(4 950)**	**66 263**
Attributable earnings for the year	–	–	**6 096**	–	–	**6 096**	**(1 656)**	**4 440**
Disposal of interest to minority	–	–		–	–	–	**39**	**39**
Closing balances at 31 March 2014	**1 321**	**1 351**	**89 385**	–	**(14 748)**	**77 309**	**(6 567)**	**70 742**
Company								
Opening balances at 1 April 2012	1 321	1 351	22 589	63 205	(2 048)	86 418	–	86 418
Attributable earnings for the year	–	–	(4 597)	–	–	(4 597)	–	(4 597)
Transfer of net impairment increase to non-distributable reserve	–	–	7 476	(7 476)	–	–	–	–
Balances at 1 April 2013	**1 321**	**1 351**	**25 468**	**55 729**	**(2 048)**	**81 821**	–	**81 821**
Attributable earnings for the year	–	–	**4 970**	–	–	**4 970**	–	**4 970**
Closing balances at 31 March 2014	**1 321**	**1 351**	**30 438**	**55 729**	**(2 048)**	**86 791**	–	**86 791**

STATEMENTS OF CASH FLOWS

for the twelve months ended 31 March 2014

	Notes	GROUP 2014 R'000	GROUP Restated* 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Cash flows generated from/(utilised in) operating activities		**1 748**	(7 921)	**3 613**	(711)
Profit before taxation from continuing operations		**7 808**	2 962	**4 823**	(4 420)
Loss before tax from discontinued operations		**(2 002)**	(7 340)	**–**	
Adjustments		**6 646**	7 141	**(628)**	7 706
– Interest received		**(983)**	(254)	**(879)**	(296)
– Interest paid		**5 766**	4 024	**56**	367
– Non-cash flow items		**–**	(65)	**–**	–
– Depreciation		**1 357**	1 614	**195**	159
– Impairments		**–**	627	**–**	7 476
– Amortisation and impairment of intangibles		**506**	1 195	**–**	–
Operating cash flows before working capital changes		**12 452**	2 763	**4 195**	3 286
Working capital changes		**(5 460)**	(6 878)	**(826)**	(3 926)
– Decrease/(increase) in inventories		**653**	(325)	**–**	–
– Decrease/(increase) in trade and other receivables		**3 449**	(19 976)	**(1 303)**	(3 903)
– (Decrease)/increase in trade and other payables		**(9 562)**	13 423	**477**	(23)
Cash generated from/(utilised in) operations		**6 992**	(4 115)	**3 369**	(640)
– Interest received		**983**	254	**879**	296
– Interest paid		**(5 766)**	(4 024)	**(56)**	(367)
– Taxation paid	A	**(461)**	(36)	**(579)**	–
Cash flows utilised in investing activities		**(1 946)**	(1 207)	**(10 661)**	(3 555)
Purchase of equipment and vehicles to maintain operations		**(1 201)**	(1 067)	**(20)**	(31)
Acquisition of intangible assets		**–**	(978)	**–**	–
Proceeds on disposal of equipment and vehicles		**–**	131	**–**	–
Increase in long-term receivable		**(660)**	–	**–**	–
Net movement in loans		**–**	707	**(6 160)**	
Disposal of subsidiary	B	**(85)**	–	**–**	–
Movement in subsidiary company investments and loans		**–**	–	**(4 481)**	(3 524)
Cash flows utilised in financing activities		**(5 031)**	(678)	**–**	–
Decrease in non-current financial liabilities		**–**	(40)	**–**	–
Short-term loan		**(4 830)**	442	**–**	–
Repayment of vendor obligation		**(201)**	(1 080)	**–**	–
Net decrease in cash and cash equivalents		**(5 229)**	(9 806)	**(7 048)**	(4 266)
Cash and cash equivalents at beginning of year		**(42 751)**	(32 945)	**6 650**	10 916
Cash and cash equivalents at end of year	C	**(47 980)**	(42 751)	**(398)**	6 650

** Restated for the adoption of IFRS 10 as detailed in note 33 on page 69.*

NOTES TO THE CASH FLOW STATEMENTS

for the twelve months ended 31 March 2014

	GROUP		COMPANY	
	2014 R'000	Restated 2013 R'000	**2014 R'000**	2013 R'000
A. TAXATION PAID				
Amount unpaid at beginning of the year	**(1 180)**	(1 216)	**(971)**	(971)
Amount charged to the income statement	**(2 084)**	–	**–**	–
Amount payable at end of the year	**2 803**	1 180	**392**	971
	(461)	(36)	**(579)**	–
B. DISPOSAL OF SUBSIDIARY				
On 30 April 2013 the Group disposed of its entire shareholding in Primeserv Training Proprietary Limited for a cash consideration of R1. The consolidated carrying amounts of the assets and liabilities disposed of were as follows:				
Carrying amounts of assets and liabilities disposed of:				
Equipment and vehicles	**(1 639)**			
Inventories	**(5)**			
Trade receivables	**(6 621)**			
Other receivables	**(516)**			
Cash and cash equivalents	**(85)**			
Trade and other payables	**3 716**			
Net assets disposed of	**(5 150)**			
Less: Long-term receivable arising in respect of sale	**5 150**			
Cash proceeds/Profit on disposal	**–**			
Cash and cash equivalents disposed of	**(85)**			
Net cash flow on disposal	**(85)**			
C. CASH AT BANK AND BANK BORROWINGS				
Cash at bank	**1 092**	7 824	**323**	6 650
Bank borrowings	**(49 072)**	(50 575)	**(721)**	–
	(47 980)	(42 751)	**(398)**	6 650

SUMMARY OF ACCOUNTING POLICIES

for the twelve months ended 31 March 2014

PRINCIPAL ACCOUNTING POLICIES

The financial statements incorporate the following principal accounting policies, which are consistent with those applied in the previous year except for the adoption of IFRS 10: *Consolidated Financial Statements*. The details of the adoption of IFRS 10 are contained in note 33 of these financial statements.

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. The consolidated financial statements are prepared in accordance with the going concern principle on the historical cost basis, except for the measurement of certain financial instruments and investment properties at fair value.

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

PRINCIPLES OF CONSOLIDATION

Subsidiaries are entities, including unincorporated entities, controlled by the Company. Control exists when the Group 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 included 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.

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 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.

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 and 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 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

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.

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.

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.

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
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss – held for trading
- 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.

Derecognition

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

Financial assets

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with these being initially and subsequently carried at fair value. Cash and cash equivalents are classified as held for trading financial assets.

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.

Financial liabilities

Loans and other payables

Loans and other payables 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.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value. Bank overdrafts are subsequently measured at fair value and borrowing costs at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

LEGAL RIGHT OF SET-OFF

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

BORROWINGS AND CASH AT BANK

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

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 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; and
- 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.

NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

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

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.

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.

LEASES

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases 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 segments, namely Human Capital Development and Human Capital Outsourcing. A third segment, Central Services, provides support services. These segments 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.

SOURCES OF ESTIMATION UNCERTAINTY

There are no 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.

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 10 years 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.

Fair value of investment properties

The fair values of investment properties are determined on an open market basis, taking into account prevailing market rentals and capitalisation rates, and recent sales histories.

Assessment of control

The Group is considered to exercise control over a company in which it does not have a majority stake when it has the ability to control the activities of that company and to earn variable returns from it.

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 16 – Property, Plant and Equipment: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation (effective 1 July 2014)

IAS 19 – Employee Benefits: Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties that are linked to service have been amended (effective 1 July 2014)

IAS 27R – Consolidated and Separate Financial Statements: Requirement to account for interests in Investment Entities at fair value (effective 1 January 2014)

IAS 32 – Financial Instruments: Presentation: Amendments to offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

IAS 36 – Impairment of Assets: Disclosure requirements for the recoverable amount of impaired assets (effective 1 January 2014)

IAS 40 – Investment Property: Amendments to clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property (effective 1 July 2014)

IFRS 1 – (Annual Improvements 2011 – 2013 Cycle), Amendments to the Basis of Conclusion clarify the meaning of "Effective IFRSs" (effective 1 July 2014)

IFRS 2 – Share based payments: Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions (effective 1 July 2014)

IFRS 3 – Business Combinations: Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9 (effective 1 July 2014)

IFRS 8 – Operating Segments: Amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations (effective 1 July 2014)

IFRS 9 – Financial Instruments: Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9 (effective 1 July 2014)

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: Exception to the principle that all subsidiaries must be consolidated (effective 1 January 2014)

IFRS 12 – Disclosure of Interests in Other Entities: New disclosures required for Investment Entities (as defined in IFRS 10) (effective 1 January 2014)

IFRS 13 – Fair Value Measurement: Amendments to clarify the measurement requirements for those short-term receivables and payables (effective 1 July 2014)

IFRS 13 – Fair Value Measurement: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9 (effective 1 July 2014)

		GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
1.	**REVENUE**				
	Revenue comprises:				
	Services rendered	**631 713**	668 362	**–**	–
	Fair value adjustment to revenue	**7 078**	4 427	**–**	–
		638 791	672 789	**–**	–
2.	**OPERATING PROFIT/(LOSS)**				
	Operating profit/(loss) is stated after taking into account the following:				
	Income				
	Management fees	**–**	–	**11 645**	13 285
	Expenses				
	Depreciation and amortisation	**1 863**	2 233	**195**	159
	Operating lease rentals	**8 568**	7 479	**98**	800
	– Equipment and vehicles – contractual amounts	**2 673**	2 671	**–**	–
	– Premises – contractual amounts	**5 895**	4 808	**98**	800
	Employee costs and benefits	**54 637**	54 315	**7 337**	12 278
	Staff costs	**52 219**	52 541	**6 653**	11 727
	Retirement costs	**2 418**	1 774	**684**	551
3.	**INTEREST PAID**				
	Bank borrowings	**5 594**	3 858	**56**	262
	Finance leases	**172**	166	**–**	–
	Other	**–**	–	**–**	105
		5 766	4 024	**56**	367
4.	**INTEREST RECEIVED**				
	Interest received – cash and cash equivalents	**983**	254	**879**	296
		983	254	**879**	296
5.	**TAXATION**				
	SA normal taxation				
	– Current	**(1 858)**	–	**–**	–
	– Prior year	**(226)**	–	**–**	–
	Deferred tax				
	– Current	**718**	1 769	**147**	(177)
		(1 366)	1 769	**147**	(177)
		%	%	**%**	%
	Tax rate reconciliation				
	Statutory tax rate	**28,0**	28,0	**28,0**	28,0
	Learnership allowances	**(11,2)**	(108,0)	**–**	–
	Tax losses not previously recognised	**–**	20,3	**–**	–
	Prior year	**2,9**	–	**–**	–
	Other permanent differences	**(2,2)**	–	**(31,0)**	(32,0)
	Effective tax rate	**17,5**	(59,7)	**(3,0)**	(4,0)

The estimated tax losses available for set-off against future taxable income are R47 236 000 (2013: R67 488 000). The disposed business of Primeserv Training Proprietary Limited accounted for R15 381 000 of the tax losses relating to the prior year.

6. DISCONTINUED OPERATION

The Board made a decision in June 2012 to discontinue its non-core and loss-making Colleges business and in accordance with this decision pursued a number of avenues to dispose of the business and avoid the concomitant closure costs. On 30 April 2013 the Group disposed of its investment in the Colleges business unit to Ultimate Income Investments 107 Proprietary Limited. The unit formed part of the Human Capital Development segment and represents a separate major line of business and as a result is treated as a discontinued operation.

A single amount is shown on the face of the statement of comprehensive income comprising the post-tax effect of the discontinued operation. The results for current year relate only to the month of April 2013.

The assets related to the Colleges business are presented as held for sale in the statement of financial position.

Financial information relating to the discontinued operation is presented below.

	GROUP	
	2014	2013
	R'000	R'000
Revenue	**1 460**	31 885
Cost of sales	**(158)**	(10 159)
Gross profit	**1 302**	21 726
Operating loss	**(2 002)**	(5 763)
Interest paid	**–**	(374)
Impairment of assets	**–**	(1 203)
Impairment of equipment and vehicles	**–**	(627)
Impairment of intangible assets	**–**	(576)
Loss before taxation	**(2 002)**	(7 340)
Taxation	**–**	(1 665)
Loss for the year	**(2 002)**	(9 005)
Non-current assets held for sale		
Comprising of equipment and vehicles at book values	**–**	1 639
An impairment loss of Rnil (2013: R627 000) was recognised for a write-down of the disposal group assets to fair value less costs to sell.		
Cash flows attributable to discontinued operations		
Cash flows utilised in operating activities	**(517)**	(44)
Cash flows utilised in investing activities	**–**	(12)
Cash flows from financing activities	**517**	–
Net cash flows for the year	**–**	(56)

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
7. 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 year as calculated by 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 year	**132 063**	132 063		
Less: Adjustments to shares in issue				
Treasury shares at the end of the year	**(38 381)**	(38 381)		
Weighted average number of shares in issue ('000)	**93 682**	93 682		
Add: Adjustment for options granted by share trust	–	–		
Weighted average shares for dilutive earnings per share ('000)	**93 682**	93 682		
Attributable earnings	**6 096**	(3 991)		
Continuing operations	**8 098**	5 014		
Discontinued operations	**(2 002)**	(9 005)		
Weighted average number of shares in issue ('000)	**93 682**	93 682		
Earnings and diluted earnings per share (cents)	**6,51**	(4,26)		
Continuing operations	**8,65**	5,35		
Discontinued operations	**(2,14)**	(9,61)		
Headline earnings				
Attributable earnings	**6 096**	(3 991)		
Headline earnings adjusting items:				
After tax effect of profit on sale of fixed assets – continuing operations	–	(65)		
Impairment of assets – discontinued operations	–	1 203		
	6 096	(2 853)		
Attributable headline earnings	**6 096**	(2 853)		
Continuing operations	**8 098**	4 949		
Discontinued operations	**(2 002)**	(7 802)		
Weighted average number of shares in issue ('000)	**93 682**	93 682		
Headline and diluted headline earnings per share (cents)	**6,51**	(3,05)		
Continuing operations	**8,65**	5,28		
Discontinued operations	**(2,14)**	(8,33)		

	Computer equipment R'000	Motor vehicles R'000	Furniture, fittings and equipment R'000	Total R'000
8. EQUIPMENT AND VEHICLES				
Group 2014				
Cost	10 783	1 289	13 029	25 101
Accumulated depreciation and impairment	(9 036)	(941)	(11 038)	(21 015)
Net book value at beginning of year	1 747	348	1 991	4 086
Additions	429	–	772	1 201
Depreciation	(1 049)	(304)	(4)	(1 357)
Net book value at end of year	1 127	44	2 759	3 930
Cost	3 887	340	4 892	9 119
Accumulated depreciation and impairment	(2 760)	(296)	(2 133)	(5 189)
Net book value at end of year	1 127	44	2 759	3 930
Group 2013				
Cost	10 967	978	13 793	25 738
Accumulated depreciation and impairment	(8 405)	(779)	(9 590)	(18 774)
Net book value at beginning of year	2 562	199	4 203	6 964
Additions	654	382	31	1 067
Disposals	–	(65)	–	(65)
Depreciation	(514)	(145)	(955)	(1 614)
Impairment	(117)	(17)	(493)	(627)
Less: Non-current assets held for sale	(838)	(6)	(795)	(1 639)
Net book value at end of year	1 747	348	1 991	4 086
Cost	10 783	1 289	13 029	25 101
Accumulated depreciation and impairment	(9 036)	(941)	(11 038)	(21 015)
Net book value at end of year	1 747	348	1 991	4 086

		Computer equipment R'000	Motor vehicles R'000	Furniture, fittings and equipment R'000	Total R'000
8.	**EQUIPMENT AND VEHICLES continued**				
	Company 2014				
	Cost	**1 110**	**–**	**1 126**	**2 236**
	Accumulated depreciation	**(756)**	**–**	**(807)**	**(1 563)**
	Net book value at beginning of year	**354**	**–**	**319**	**673**
	Additions	**20**	**–**	**–**	**20**
	Depreciation	**(58)**	**–**	**(137)**	**(195)**
	Net book value at end of year	**316**	**–**	**182**	**498**
	Cost	**672**	**–**	**403**	**1 075**
	Accumulated depreciation	**(356)**	**–**	**(221)**	**(577)**
	Net book value at end of year	**316**	**–**	**182**	**498**
	Company 2013				
	Cost	1 084	–	1 121	2 205
	Accumulated depreciation	(641)	–	(763)	(1 404)
	Net book value at beginning of year	443	–	358	801
	Additions	26	–	5	31
	Depreciation	(115)	–	(44)	(159)
	Net book value at end of year	354	–	319	673
	Cost	1 110	–	1 126	2 236
	Accumulated depreciation	(756)	–	(807)	(1 563)
	Net book value at end of year	354	–	319	673

		Group		Company	
		2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
9.	**INVESTMENT PROPERTY**				
	Properties at fair value	**7 645**	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.

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

Valuations were obtained from estate agents with experience in the area indicating no changes in the fair value at year-end.

No income was earned from the investment properties during the year as the development of the house was not yet completed.

Operating costs incurred primarily relate to the payment of levies, power and water charges and totalled R122 000 (2013: R74 000).

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
10. 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 32, as follows:				
Human Capital Outsourcing	**15 012**	15 012		
Human Capital Development	**3 158**	3 158		
Total goodwill excluding impairment	**18 170**	18 170		
The impairment calculations performed indicated that no impairment of goodwill was necessary				
Goodwill is attributable to the following cash-generating units:				
Bathusi Staffing Services Proprietary Limited	**4 877**	4 877		
Primeserv Corporate Solutions Proprietary Limited	**3 158**	3 158		
Primeserv Denverdraft Proprietary Limited	**2 730**	2 730		
Primeserv Staff Dynamix Proprietary Limited	**7 405**	7 405		
	18 170	18 170		
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 the weighted average cost of capital. Cash flows have been extrapolated for a further 10 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.				
The recoverable amounts are stated below:				
Bathusi Staffing Services Proprietary Limited	**17 030**	13 784		
Primeserv Corporate Solutions Proprietary Limited	**27 063**	3 640		
Primeserv Denverdraft Proprietary Limited	**25 023**	20 440		
Primeserv Staff Dynamix Proprietary Limited	**42 459**	44 125		
	111 575	81 989		

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

	Trademarks R'000	Premiums arising on acquisition of contract R'000	Total R'000
11. INTANGIBLE ASSETS			
Group 2014			
Cost	**810**	**3 867**	**4 677**
Accumulated amortisation and impairments	**(576)**	**(1 326)**	**(1 902)**
Net book value at beginning of year	**234**	**2 541**	**2 775**
Amortisation	**–**	**(506)**	**(506)**
Net book value at end of year	**234**	**2 035**	**2 269**
Accumulated amortisation and impairments at year-end	**(576)**	**(1 832)**	**(2 408)**
Group 2013			
Cost	810	2 889	3 699
Accumulated amortisation and impairments	–	(707)	(707)
Net book value at beginning of year	810	2 182	2 992
Additions	–	978	978
Amortisation	–	(619)	(619)
Impairment	(576)	–	(576)
Net book value at end of year	234	2 541	2 775
Accumulated amortisation and impairments at year-end	(576)	(1 326)	(1 902)

The trademarks are considered to have indefinite used lives. There are 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 year-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 10 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 trademarks was necessary.

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 035 000 (2013: R2 541 000). The remaining amortisation period is 36 months.

		GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
12.	**INVESTMENT IN SUBSIDIARIES**				
	Ordinary shares at cost	–	–	2	2
	Class A preference shares				
	Cost	–	–	79 800	79 800
	Impairment	–	–	(19 278)	(19 278)
	Net book value	–	–	60 522	60 522
	Class B preference shares				
	Cost	–	–	83 312	83 312
	Impairment	–	–	(83 312)	(83 312)
	Net book value	–	–	–	–
	Preference dividend accrued	–	–	37 806	33 318
	Net investment in subsidiaries	–	–	98 330	93 842
	Further information on the subsidiary companies is contained on page 71 of the annual financial statements.				
13.	**LOANS TO AND FROM SUBSIDIARIES**				
	Loans to subsidiaries	–	–	45 229	33 728
	Loans from subsidiaries	–	–	(76 681)	(65 173)
	Balance at end of year	–	–	(31 452)	(31 445)
	Net movement for the year	–	–	(7)	(43 041)

The loans are unsecured and the borrower has the unconditional right not to repay the loan within 12 months from year-end. No guarantees have been given or received. Loans receivable from subsidiaries of R19 805 000 (2013: R22 221 000) have been subordinated in favour of the remaining creditors of the subsidiaries until their assets, fairly valued, exceed their liabilities.

The maximum exposure to credit risk at the reporting date is the fair value of each loan listed above.

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.

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.

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
14. LONG-TERM RECEIVABLES				
Secured – interest-bearing	**1 520**	–	**1 520**	–
Secured interest-bearing receivables with no fixed terms of repayment. The receivable is secured by various sureties signed by the borrower and related parties to the borrower.				
Secured – non-interest-bearing	**4 640**	–	**4 640**	–
Secured non-interest-bearing receivables to be collected with no fixed terms of repayment. This relates to debts to be collected by the purchaser of Primeserv Training Proprietary Limited and which have been secured by a cession of the debtors of Primeserv Training Proprietary Limited.				
Unsecured – non-interest-bearing	**700**	1 050	**–**	–
Receivables with no fixed terms of repayment				
The receivables are classified as available-for-sale financial assets. As these loans have no fixed terms of repayment, the carrying amount and fair value equal the face value of the loans.				
The maximum exposure to credit risk at the reporting date is the fair value of the receivables.				
	6 860	1 050	**6 160**	–
15. DEFERRED TAX ASSET				
Computed tax losses	**10 248**	9 959	**188**	33
Provisions	**2 301**	1 821	**–**	–
Prepayments	**(307)**	(212)	**(8)**	–
Capital gains tax	**(286)**	(286)	**–**	–
Work in progress	**(263)**	(347)	**–**	–
Other	**–**	40	**–**	–
	11 693	10 975	**180**	33
Reconciliation between deferred tax opening and closing balance				
Deferred tax opening balance	**10 975**	10 871	**33**	210
Computed tax losses	**289**	(1 093)	**155**	(233)
Provisions	**480**	283	**–**	–
Other	**(40)**	–	**–**	–
Prepayments	**(95)**	624	**(8)**	15
Capital allowances	**–**	–	**–**	41
Work in progress	**84**	290	**–**	–
Deferred tax at end of year	**11 693**	10 975	**180**	33

** Tax losses amounting to R10 633 000 (2013: R31 920 000) have not been recognised. Tax losses amounting to R36 603 000 (2013: R35 568 000) have been recognised on the basis of future sustainable profits that have been estimated for the next three financial years.*

		GROUP		COMPANY	
		2014	2013	**2014**	2013
		R'000	R'000	**R'000**	R'000
16.	**ADVANCE TO THE SHARE TRUST**				
	Loan			**9 245**	9 245
				9 245	9 245
	The loan is classified as an available for sale financial asset. The loan was advanced to the Primeserv Group Limited Share Incentive Scheme for the acquisition of 22 571 354 (2013: 22 571 354) ordinary shares.				
	As the loan has no fixed terms of repayment, the carrying amount and fair value equal the face value of the loan. The maximum exposure to credit risk at the reporting date is the fair value.				
17.	**INVENTORIES**				
	Inventories comprise of consumable goods including personal protective equipment, books, manuals and other course material	**200**	857	**–**	–
18.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**94 555**	106 624	**3 743**	–
		6 748	5 227	**2 567**	5 007
	Other receivables	**5 650**	4 467	**2 538**	5 007
	Prepayments	**1 098**	760	**29**	–
		101 303	111 851	**6 310**	5 007
	Trade receivables are encumbered as per note 24.				
	Based on the historic level of customer defaults the credit quality of year-end trade receivables which are not past due is considered to be high. In line with management's judgements taken, trade receivables that are less than three months overdue have not been impaired. As at 31 March 2014, trade receivables of R15 221 000 (2013: R23 770 000) 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:				
	One month overdue	**2 359**	7 166	**–**	–
	Two months overdue	**1 096**	6 071	**–**	–
	Three months and more overdue	**11 766**	10 533	**–**	–
		15 221	23 770	**–**	–
	Allowance for impairment (bad debt provision)				
	Balance at beginning of year	**1 924**	268	**–**	–
	Increase in allowance and impairments recognised in income statement	**2 534**	14 157	**–**	–
	Application of provision against debtors	**(3 163)**	(12 501)	**–**	–
	Balance at end of year	**1 295**	1 924	**–**	–

18. TRADE AND OTHER RECEIVABLES continued

Credit risk exposure

The impairment allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that there is no possibility of the debt being recovered at which point the irrecoverable portion is written off. The impairment was determined based on an assessment of individual trade receivables. The full impairment relates to debtors in excess of 120 days.

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Trade and other receivables are classified as loans and receivables.

		GROUP		COMPANY	
		2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
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 (2013: 132 062 743) ordinary shares of 1 cent each	**1 321**	1 321	**1 321**	1 321
	There are nil (2013: 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	**93 681 676**	93 681 676		
	Treasury shares	**38 381 067**	38 381 067		
	Total 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 charges in the investments in and loans to subsidiaries	**–**	–	**55 729**	55 729
21.	**TREASURY SHARES**				
	Comprises 38 381 067 (2013: 38 381 067) Primeserv Group Limited ordinary shares in the Group, and 4 626 206 (2013: 4 626 206) shares in the Company	**14 748**	14 748	**2 048**	2 048
		14 748	14 748	**2 048**	2 048
22.	**TRADE AND OTHER PAYABLES**				
	Trade payables	**16 714**	6 718	**1 065**	588
	Payroll payables	**12 914**	28 519	**626**	625
	Other accruals and sundry creditors	**917**	8 586	**–**	–
		30 545	43 823	**1 691**	1 213
	Trade and other payables are measured at amortised cost.				

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
23. FINANCIAL LIABILITIES				
Held at amortised cost				
Vendor liability				
The liability was unsecured and interest- free. It was payable in instalments with a final payment in October 2013	–	201	–	–
Short-term loan				
Short-term bank finance bearing interest at the prime overdraft rate	–	4 830	–	–
	–	5 031	–	–
24. BANK BORROWINGS				
The Group's Outsourcing Division is funded through an invoice discounting facility that bears interest at the prime bank overdraft rate per annum plus 0,5% (2013: less 0,5%)	**49 072**	50 575	–	–
The Company's borrowings bear interest at the prime bank overdraft rate per annum plus 0,5%	–	–	**721**	–
	49 072	50 575	**721**	–

The facilities are secured through a combination of the cession of the Group's trade debtors, cross-surety arrangements between the Group companies as well as a general covering bond over the Group's investment property. The Group has also undertaken not to reduce its tangible equity to below R35 750 000.

	Directors' fees R'000	Remuneration R'000	Retirement benefits R'000	Benefits R'000	Allowances R'000	Bonuses R'000	Special remuneration** R'000	Share options exercised R'000	Total R'000
25. DIRECTORS' REMUNERATION									
Company 2014									
The remuneration paid to directors of the Company, whilst in office during the period ended 31 March 2014, is analysed as follows:									
Executive directors	–	5 262	534	320	742	–	–	–	6 858
M Abel	–	3 342	332	101	252	–	–	–	4 027
R Sack	–	1 000	105	118	236	–	–	–	1 459
DC Seaton		920	97	101	254	–	–	–	1 372
Non-executive directors	–	–	–	–	–	–			
JM Judin	–	–	–	–	–	–	–	–	–
S Klein	–	–	–	–	–	–	–	–	–
LM Maisela	–	–	–	–	–	–	–	–	–
DL Rose	–	–	–	–	–	–	–	–	–
CS Shiceka	–	–	–	–	–	–	–	–	–
	–	5 262	534	320	742	–	–	–	6 858
Company 2013									
The remuneration paid to directors of the Company, whilst in office during the period ended 31 March 2013, is analysed as follows:									
Executive directors	–	5 704	573	306	811	–	425	–	7 819
M Abel**	–	3 342	332	94	252	–	250	–	4 270
AT McMillan*	–	458	41	26	60	–	–	–	585
R Sack	–	984	103	110	252	–	–	–	1 449
DC Seaton**	–	920	97	76	247	–	175	–	1 515
Non-executive directors	–	–	–	–	–	–	–	–	–
JM Judin***	–	–	–	–	–	–	–	–	–
S Klein	–	–	–	–	–	–	–	–	–
LM Maisela	–	–	–	–	–	–	–	–	–
DL Rose***	–	–	–	–	–	–	–	–	–
CS Shiceka	–	–	–	–	–	–	–	–	–
	–	5 704	573	306	811	–	425	–	7 819

* *AT McMillan resigned as a director on 29 June 2012.*

** *While the Managing Director of the Human Capital Outsourcing segment was on extended sick leave, M Abel took over the role of interim Managing Director of the segment and DC Seaton provided assistance. M Abel has continued to fulfil both the roles of Group CEO and Managing Director of the segment.*

*** *During the 2013 year the Company paid R144 000 to JM Judin and R144 000 to DL Rose for legal and professional services rendered.*

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.

26. CONTINGENT LIABILITIES

The Company and its major subsidiaries have signed surety to FirstRand Bank Limited in favour of its subsidiaries for debtors financing and normal banking facilities granted. The net amount outstanding in the subsidiaries in respect of these facilities at year-end is R49 072 000 (2013: R50 575 000).

27. RISK MANAGEMENT

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

Market risk

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

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 adjustments of 50 basis points in the interest rate, the effect on pre-tax earnings of an increase/decrease in the rate is calculated to be a increase/decrease in earnings of R232 000 (2013: R214 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 Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Cash surpluses are placed on call with major financial institutions.

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

27. RISK MANAGEMENT continued

The Group's financial assets that are measured at fair value at 31 March 2014 are as follows:

FINANCIAL LIABILITIES – MATURITY ANALYSIS

Contractual undiscounted cash flows from:*	1 month#	2 – 3 months	4 – 6 months	7 – 12 months	More than a year	Carrying amount
Group – 2014						
Trade and other payables	**23 310**	**1 315**	**750**	**5 170**	–	**30 545**
Taxation payable	–	**2 803**	–	–	–	**2 803**
Bank borrowings*	**49 072**	–	–	–	–	**49 072**
	72 382	**4 118**	**750**	**5 170**	–	**82 420**
Group – 2013						
Trade and other payables	32 046	3 099	1 904	6 774	–	43 823
Vendor obligation	–	–	101	100	–	201
Taxation payable	–	1 180	–	–	–	1 180
Short-term loan	–	–	4 830	–	–	4 830
Bank borrowings*	50 575	–	–	–	–	50 575
	82 621	4 279	6 835	6 874	–	100 609
Contractual undiscounted cash flows from:	**1 month #**	**2 –3 months**	**4 – 6 months**	**7 – 12 months**	**More than a year**	**Carrying amount**
Company – 2014						
Loans from subsidiaries	–	–	–	–	**76 681**	**76 681**
Trade and other payables	**1 690**	–	–	–	–	**1 690**
Taxation payable	–	–	–	**392**	–	**392**
Bank borrowings*	**721**	–	–	–	–	**721**
	2 411	–	–	**392**	**76 681**	**79 484**
Company – 2013						
Loans from subsidiaries	–	–	–	–	65 173	65 173
Trade and other payables	1 213	–	–	–	–	1 213
Taxation payable	–	–	–	971	–	971
	1 213	–	–	971	65 173	67 357

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

 # 1 month – includes amounts payable on demand.

Credit risk

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

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

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

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 credit assessment process, but without the use of credit insurance.

27. RISK MANAGEMENT continued

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 23 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.

Fair value

The carrying amount 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.

	Level 1	Level 2	Level 3
Long-term receivables	–	–	6 860

28. RETIREMENT BENEFITS

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

Retirement contributions for the year amounted to R2,4 million (2013: R1,8 million).

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

for the twelve months ended 31 March 2014

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
29. RELATED PARTY TRANSACTIONS				
Subsidiary companies				
The subsidiary companies are identified on page 71				
Refer to note 13 and page 71 for the subsidiary company loan balances.				
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 and its subsidiaries relate to recoveries, preference dividends and interest and these are reflected as income in the Company's statement of comprehensive income.				
Transactions with subsidiary companies				
– Management fees from subsidiaries	–	–	11 645	13 285
– Preference dividends from subsidiaries	–	–	4 488	3 230
– Interest received	–	–	813	–
Amounts included in trade and other receivables regarding related parties				
Subsidiary companies	–	–	845	–
Amounts included in trade and other payables regarding related parties				
Subsidiary companies	–	–	469	–

Directors

The names of the directors are listed on page 7. Refer to note 25 for details of the directors' emoluments. During the year the Company paid Rnil (2013: R144 000) to MJ Judin for consulting services rendered and Rnil (2013: R144 000) to DL Rose for consulting services rendered.

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

As part of the Group's management retention programme, executive directors are granted loans through the share trust to be applied to the purchase, through the market, of shares in the Company. The shares so purchased may be voted but not sold for a period of three years from 1 April 2012. Loans were advanced to M Abel for R126 000, R Sack for R140 000 and DC Seaton for R140 000.

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

	GROUP		COMPANY	
	2014	2013	**2014**	*2013*
	R'000	R'000	**R'000**	R'000
30. CAPITAL COMMITMENTS				
The Group does not have any material capital commitments planned or actual for the forthcoming year.				
31. OPERATING LEASE COMMITMENTS				
Operating lease commitments				
Future operating lease charges for premises and equipment and vehicles				
Payable within one year				
– Premises	**3 679**	4 621	**–**	–
– Vehicles and equipment	**1 481**	1 779	**–**	–
	5 160	6 400	**–**	–
Payable two to five years				
– Premises	**4 781**	3 385	**–**	–
– Vehicles and equipment	**1 812**	2 365	**–**	–
	6 593	5 750	**–**	–

There are no lease commitments beyond the five-year period. Leases on some premises are subject to market-related escalations with renewal options at the Group's discretion. The leases in respect of premises are for periods up to three years and there are no contingent rentals payable. Leases for motor vehicles are for initial periods of three years and are occasionally extended beyond the initial period for further periods of up to two years.

for the twelve months ended 31 March 2014

	Human Capital Outsourcing R'000	Human Capital Development R'000	Central Services R'000	Group Consolidated R'000
32. SEGMENTAL ANALYSIS – OPERATING SEGMENTS				
2014				
Continuing operations				
Net profit/(loss) before taxation	2 732	(1 426)	6 502	7 808
Taxation	(1 153)	1 318	(1 531)	(1 366)
Net profit/(loss) after taxation	1 579	(108)	4 971	6 442
Discontinued operations				
Loss from discontinued operation net of tax	–	(2 002)	–	(2 002)
Continuing and discontinued operations				
Revenue: Sales to external customers	599 895	33 278	–	633 173
Revenue: Deemed fair value adjustment for external customers	6 037	1 041	–	7 078
Revenue: Inter-segment revenue	–	493	–	493
Operating profit/(loss)	25 347	(1 428)	(13 330)	10 589
Capital additions	653	529	20	1 202
Depreciation and amortisation	(1 108)	(563)	(192)	(1 863)
Interest received	104	–	879	983
Interest paid	(5 614)	(95)	(57)	(5 766)
Assets	116 789	26 617	9 756	153 162
Liabilities	75 810	5 062	1 548	82 420
2013				
Continuing operations				
Net profit/(loss) before taxation	1 256	(1 943)	3 649	2 962
Taxation	1 407	(1 277)	1 639	1 769
Net profit/(loss) after taxation	2 663	(3 220)	5 288	4 731
Discontinued operations				
Loss from discontinued operation net of tax	–	(9 005)	–	(9 005)
Continuing and discontinued operations				
Revenue: Sales to external customers	638 757	61 490	–	700 247
Revenue: Deemed fair value adjustment for external customers	3 865	562		4 427
Revenue: Inter-segment revenue	–	4 089	–	4 089
Operating profit/(loss)	22 463	(7 870)	(13 624)	969
Capital additions	640	396	31	1 067
Depreciation and amortisation	(1 185)	(888)	(159)	(2 232)
Interest received	1 427	–	296	1 723
Interest paid	(5 126)	(374)	(367)	(5 867)
Impairment of assets – discontinued operations	–	(1 203)	–	(1 203)
Assets	135 182	26 036	5 654	166 872
Liabilities	91 069	4 350	5 190	100 609

32. SEGMENTAL ANALYSIS – OPERATING SEGMENTS continued

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

The Group's operating segments are Human Capital Outsourcing, Human Capital Development and Central Services.

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

All segments traded in South Africa during the year, and as such, no geographical segments have been disclosed as economic and political conditions, relationships between operations, underlying currency risk and special risk associated with operations are similar within the different regions in South Africa.

The Human Capital Outsourcing segment provides flexible staffing solutions.

The Human Capital Development segment provides vocational skills training, a comprehensive range of corporate and technical training services and HR Consulting 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 total liabilities as disclosed in the segment analysis agree to the corresponding amounts as disclosed in the annual financial statements, for the continuing and discontinued operations combined. The measurement policies applied for segment reporting under IFRS 8 are the same as those used in the preparation of the annual financial statements. Inter-segment transfer pricing is done on the same terms as sales to external customers.

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

The segment results for the prior period have been restated following the consolidation in terms of IFRS 10, of Bathusi Staffing Services Proprietary Limited, previously accounted for as an associate.

33. ADOPTION OF NEW STANDARD – IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 replaces the parts of IAS 27: *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when (a): it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Specifically, the Group has a 45% ownership interest in Bathusi Staffing Services Proprietary Limited ("Bathusi"). The Group's 45% ownership interest in Bathusi gives the Group the same percentage of the voting rights in Bathusi. The Group's 45% ownership interest in Bathus was acquired in January 2005 and there has been no change in the Group's ownership in Bathusi since then.

The directors of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. 1 April 2013) as to whether or not the Group has control over Bathusi in accordance with the new definition of control and the related guidance set out in IFRS 10. The directors concluded that it has had control over Bathusi on the basis of the Group's absolute size of holding in Bathusi and the relative size of and dispersion of the shareholdings owned by the other shareholders. Therefore, in accordance with the requirements of IFRS 10, Bathusi has been a subsidiary of the Company since April 2013. Previously, Bathusi was treated as an associate of the Group and accounted for using the equity method of accounting. Comparative amounts for 2013 and the related amounts as at 1 April 2013 have been restated in accordance with the relevant transitional provisions set out in IFRS 10.

33. ADOPTION OF NEW STANDARD – IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS continued

A summary of the impact of the changes in accounting policy on the results is set out below:

Group

Effect on statement of comprehensive income for the year ended 31 March 2013	
Increase in revenue	49 781
Increase in cost of sales	(43 459)
Increase in gross profit	6 322
Increase in depreciation and amortisation	(22)
Increase in net interest paid	(2 195)
Decrease in share of profit from associate	(31)
Increase in other operating expenses	(4 008)
Decrease in total comprehensive loss	66
Decrease in comprehensive loss for the year attributable to:	
Owners of the Company	–
Non-controlling interests	66

Effect on statement of financial position at 31 March 2013	As previously reported	Adoption of IFRS 10	Restated
Equipment and vehicles	4 022	64	4 086
Goodwill	13 293	4 877	18 170
Investment and loan in associate	7 321	(7 321)	–
Deferred tax asset	9 566	1 409	10 975
Inventories	847	10	857
Trade receivables	92 223	14 401	106 624
Other receivables	4 082	1 145	5 227
Cash and cash equivalents	7 798	26	7 824
Trade and other payables	(34 272)	(9 551)	(43 823)
Taxation payable	(1 166)	(14)	(1 180)
Bank borrowings	(41 775)	(8 800)	(50 575)
	61 939	(3 754)	58 185

Effect on statement of changes in equity as at 31 March 2013	As previously reported	Adoption of IFRS 10	Restated
Non-controlling interest	(1 196)	(3 754)	(4 950)
Retained earnings	–	–	–
Total effect on equity	(1 196)	(3 754)	(4 950)

Company

Effect on statement of financial position as at 31 March 2013	As previously reported	Adoption of IFRS 10	Restated
Loans to subsidiaries	33 312	416	33 728
Investment and loan in associate	416	(416)	–
Total effect on net assets	33 728	–	33 728

DETAILS OF SUBSIDIARY COMPANIES

as at 31 March 2014

	Country of incorporation	Ordinary share capital R	Portion held directly or indirectly by holding company %	Ownership portion and voting rights of non-controlling interests %	Non-controlling interests share of current year profit/(loss) R'000	Non-controlling interests share of accumulated profit/(loss) R'000	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 %	Amount owing by/(to) subsidiaries 2014 R'000	2013 R'000
Subsidiaries													
Bathusi Recruitment Proprietary Limited*	South Africa	100	49,0	51,0	–	–	49					–	–
Bathusi Staffing Services Proprietary Limited*	South Africa	100	45,0	55,0	(1 391)	(3 820)	45					**3 339**	416
Empvest Outsourcing Proprietary Limited*	South Africa	1 000	35,8	64,2	(480)	(1 154)	482					**851**	819
Primeserv ABC Recruitment Proprietary Limited	South Africa	100	74,2	25,8		(706)	74	370	100	448	74,2	**23 839**	16 623
Primeserv Corporate Solutions Proprietary Limited	South Africa	100	74,2	25,8	21	(247)	74	37	100	618	74,2	**7 191**	(1 029)
Primeserv Denverdraft Proprietary Limited	South Africa	100	99,0	1,0	8	40	100					**4 541**	4 396
Primeserv Employee Solutions Proprietary Limited	South Africa	100	74,2	25,8	186	(684)	74	392	100	276	74,2	**(71 442)**	(59 571)
Primeserv Productivity Services Proprietary Limited	South Africa	100	100,0	–	–	–	100					**796**	796
Primeserv Recruitment Proprietary Limited	South Africa	100	100,0	–	–	–	100					**(4 585)**	(4 310)
Primeserv Staff Dynamix Proprietary Limited	South Africa	100	74,2	25,8	–	–	100					**4 634**	4 626
Primeserv Technical Training Proprietary Limited	South Africa	100	74,2	25,8	–	–	100					**(398)**	–
Primeserv Training Proprietary Limited**	South Africa	100	100,0	–	–	–	100					**–**	6 014
Thuso Outsourcing Proprietary Limited	South Africa	100	70,0	30,0	–	4	70					**(256)**	(263)
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					**–**	–
					(1 656)	(6 567)	1 868	799		1 342		**(31 452)**	(31 445)
										Amounts owing by subsidiaries		**45 229**	33 728
										Amounts owing to subsidiaries		**(76 681)**	(65 173)
												(31 452)	(31 445)

NOTES

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

The HR Solutions businesses operate through Primeserv Corporate Solutions Proprietary Limited, Primeserv Recruitment Proprietary Limited and Thuso Outsourcing 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 Properties 1 Proprietary Limited, Primeserv Properties 2 Proprietary Limited, Primeserv Properties 3 Proprietary Limited and Primeserv Properties 4 Proprietary Limited are the companies designated to hold various properties, but are currently dormant.

* *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.*

** *Primeserv Training Proprietary Limited was disposed of on 30 April 2013 and ceased to be a subsidiary company from that date.*

as at 31 March 2014

The summarised financial information of entities with material non-controlling interests, before eliminating inter-company transactions, is presented below:

	Bathusi Staffing Services Proprietary Limited R'000	Empvest Outsourcing Proprietary Limited R'000	Primeserv ABC Recruitment Proprietary Limited R'000	Primeserv Corporate Solutions Proprietary Limited R'000	Primeserv Denverdraft Proprietary Limited R'000	Primeserv Employee Solutions Proprietary Limited R'000
Statement of comprehensive income						
Revenue	84 680	365	79 711	32 726	142 133	124 850
Net operating costs	(88 194)	(256)	(79 584)	(31 268)	(141 045)	(116 610)
Profit/(loss) before taxation	(3 514)	109	127	1 458	1 088	8 240
Taxation	1 471	(708)	(753)	1 318	463	(2 053)
Profit/(loss) after taxation	(2 043)	(599)	(626)	2 776	1 551	6 187
Statement of financial position						
Non-current assets	21 174	105	52 453	10 513	7 572	98 165
Current assets	11 912	1 362	19 149	15 728	14 399	21 037
Total assets	33 086	1 467	71 602	26 241	21 971	119 202
Trade and other payables and loans	(33 086)	(3 157)	(51 592)	(26 241)	(16 492)	(84 660)
Total shareholder funds	–	(1 690)	20 010	–	5 479	34 542

ANALYSIS OF SHAREHOLDING

as at 31 March 2014

	Number of shareholders	Number of shares held	% Shareholding
PORTFOLIO SIZE			
1 – 50 000 shares	396	2 352 653	1,8
50 001 – 500 000 shares	51	9 499 327	7,2
500 001 – 5 000 000 shares	25	49 220 683	37,2
over 5 000 000 shares	6	70 990 080	53,8
	478	132 062 743	100,0
CATEGORY			
Directors (beneficial, non-beneficial, direct and indirect), management and treasury shares	21	71 634 729	54,2
Nominee companies and schemes	2	9 200	–
Individual and other corporate bodies	455	60 418 814	45,8
	478	132 062 743	100,0
INTERESTS OF 5% OR GREATER			
The Privest Group Limited Share Trust		22 571 354	17,1
M Abel		21 552 237	16,3
Primeserv Productivity Services Proprietary Limited (treasury shares)		10 645 489	8,1
The Boles Family Trust		9 516 000	7,2
Treasure Island Investments CC		6 750 000	5,1
		71 035 080	53,8
SHAREHOLDER SPREAD			
Total non-public shareholders	21	71 634 729	54,2
Directors	8	25 255 124	19,1
Share Trust	1	22 571 354	17,1
Treasury shares	2	15 271 695	11,6
Other	10	8 536 556	6,4
Public shareholders	457	60 428 014	45,8
	478	132 062 743	100,0

MARKET STATISTICS

as at 31 March 2014

	2014	2013
JSE LIMITED PERFORMANCE		
Year-end closing market price of ordinary shares (cents)	**35**	47
High closing market price of ordinary shares (cents)	**49**	64
Low closing market price of ordinary shares (cents)	**23**	32
Volume of shares traded (million)	**6**	27
Value of shares traded (R'000)	**1 937**	10 137
NUMBER OF SHARES IN ISSUE		
Opening balances (including treasury and share trust shares)	**132 062 743**	132 062 743
Closing balances (including treasury and share trust shares)	**132 062 743**	132 062 743
Market capitalisation at year-end (R'000)	**46 222**	62 069
Market capitalisation at year-end excluding treasury and share trust shares (R'000)	**32 789**	44 029

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 Companies Act"), that the annual general meeting of the shareholders of Primeserv Group Limited ("Primeserv" or "the Company") will be held at Protea Hotel Wanderers, Corner of Corlett Drive and Rudd Road, Johannesburg at 09:00 on Friday 21 November 2014 for the following:

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated audited annual financial statements for the Company and the Group, including the external Independent Auditor's Report, the Report of the Audit Committee and the Directors' Report for the year ended 31 March 2014, have been distributed as required and will be presented to shareholders at the annual general meeting. The consolidated audited annual financial statements, together with the above-mentioned reports are set out in the 2014 Integrated Report.

REPORT FROM THE SOCIAL AND ETHICS COMMITTEE

In accordance with Companies Regulation 42(5)(c), issued in terms of the Companies Act, the Chairman of the Social and Ethics Committee or, in the absence of the Chairman, any member of the Committee, will present the Committee's report to shareholders at the annual general meeting.

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, 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.

APPOINTMENT OF AUDITORS

1. 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, Baker Tilly SVG, 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 2015.

Terms of Engagement and Fees

As prescribed under the terms of Section 94 of the Companies Act, the Audit 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.

RE-ELECTION OF DIRECTORS

2. The following directors retire by rotation in accordance with the Company's Memorandum of Incorporation:

   – S Klein
   – CS Shiceka

   Professor Saul Klein who has served on the Board since the listing of the Company in 1998, has due to his role as Dean and Landsdowne Professor of International Business of the Gustavson School of Business, University of Victoria, Canada, found that his international travel commitments preclude regular attendance at Board meetings. He has accordingly elected not to offer himself for re-election to the Board. The Board wishes to thank Professor Klein for his many years of service and his ongoing insight and level of contribution to the Board. The Board and the Nomination Committee are in the final stages of negotiating the appointment of a new independent non-executive Director to the Board, which Director will also be nominated for appointment to the Audit Committee. A further notice in regard to the confirmation of appointment and election to the Audit Committee of the nominated candidate will be circulated to shareholders in accordance with the Companies Act, prior to the AGM.

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

   Cleopatra Shiceka
   BA (Law), LLB, HDip Tax

   Cleopatra is currently the General Manager in the Office of the Chief Executive at Transnet Freight Rail. She is also 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. She has vast experience in the regulatory environment as well as in specialised finance.

ELECTION OF AUDIT COMMITTEE

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

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

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

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

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

   Cleopatra Shiceka
   BA (Law), LLB, HDip Tax

   Cleopatra is currently the General Manager in the Office of the Chief Executive at Transnet Freight Rail. She is also 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. She has vast experience in the regulatory environment as well as in specialised finance.

ENDORSEMENT OF REMUNERATION POLICY

4. To endorse, by way of a non-binding advisory vote, the Company's remuneration policy, as described in the Remuneration Report, set out in the 2014 Integrated Report.

   This is in terms of King III recommendations that the remuneration policy be presented to shareholders and allow them to express their views on the remuneration policies adopted in the remuneration of directors.

AUTHORISATION OF DIRECTOR TO SIGN

5. 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

SPECIAL RESOLUTION NUMBER 1 – REMUNERATION OF NON-EXECUTIVE DIRECTORS

6. To confirm the remuneration payable to the non-executive directors of the Company for the 2015 financial year as follows:

	Retainer R	Attendance fees per meeting R
Chairman	69 000	16 000
Non-executive directors	21 000	16 000
Chairman of Audit,Governance and Risk Committee	69 000	–
Chairman of Remuneration Committee	11 000	–
Chairman of Social and Ethics Committee	11 000	–
Committee members		
– Audit	–	7 000
– Remuneration	–	5 000
– Social and Ethics	–	2 500

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

The fees in the table are for individual roles while the aggregate fees of any single director will be based on a combination of the fees for all roles performed.

Reason for and effect of this special resolution

Special resolution number 1 is required in terms of section 66(9) of the Companies Act to authorise the Company to pay remuneration to non-executive directors of the Company in respect of their services as directors. Furthermore, in terms of the 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.

SPECIAL RESOLUTION NUMBER 2 – FINANCIAL ASSISTANCE TO SUBSIDIARIES

7. "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 Companies 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.

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary Resolutions number 1 to 5 contained in this notice of annual general meeting require the approval by more than 50% of the votes exercised on the resolutions by the shareholders present or represented by proxy at the annual general meeting, and further subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and the JSE Listings Requirements.

Special Resolution numbers 1 and 2 contained in this notice of annual general meeting require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at
the annual general meeting, and are further subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and the JSE Listings Requirements.

VOTING AND PROXIES

Record dates

The posting record date, being the date to be recorded in the register to be eligible to receive this notice of annual general meeting is Friday, 19 September 2014. The record date on which shareholders of the company must be registered as such in the Companies' 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 14 November 2014. Accordingly the last day to trade in order to be able to attend and vote at the annual general meeting is Friday, 7 November 2014.

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 2.

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 9:00 on Wednesday, 19 November 2014.

Section 63(1) of the Companies 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

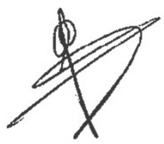
(b) the date on which the revocation instrument was delivered as required in sub-section (4)(c)(ii).

(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 2014

PRIMESERV GROUP LIMITED
Incorporated in the Republic of South Africa
Registration number 1997/013448/06
Share code: PMV
ISIN: ZAE000039277
25 Rudd Rd, Illovo, Sandton
PO Box 3008, Saxonwold, 2132
www.primeserv.co.za
email: productivity@primeserv.co.za

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
Registration number 2004/003647/07
70 Marshall Street, Marshalltown, 2001
PO Box 61051, Marshalltown, 2107

FORM OF PROXY

PRIMESERV GROUP LIMITED

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

For the use by certificated or "own name" dematerialised shareholders of Primeserv for the annual general meeting of Primeserv Group Limited to be held at Protea Hotel Wanderers, Corner of Corlett Drive and Rudd Road, Johannesburg at 09:00 on Friday 21 November 2014 ("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, the 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 – To confirm the reappointment of Baker Tilly SVG as independent auditors of the Company and L Vroom as the designated auditor for the following year			
Resolution number 2 – To confirm the re-appointment as director of CS Shiceka			
Resolution number 3 – To elect the members of the Audit, Governance and Risk Committee			
3.1 DL Rose			
3.2 CS Shiceka			
Resolution number 4 – Endorsement of the Remuneration Policy			
Resolution number 5 – Authority for directors or Company Secretary to implement the resolutions			
Special resolution number 1 – To confirm the non-executive directors' remuneration			
Special resolution number 2 – Authority to provide financial assistance to related or inter-related companies of the Company			

Signed at ______________________ on ______________________ 2014

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 [ ]

Signature ____

Please see notes overleaf

NOTES TO THE FORM OF PROXY

1. A shareholder may insert the names of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairman of the meeting", but the shareholder must initial any such deletion. The person whose name appears first on the proxy and which has not been deleted shall be entitled to act as proxy to the exclusion of those names following.
2. A shareholder is entitled to one 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 Wednesday, 19 November 2014.
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.

CORPORATE INFORMATION

PRIMESERV GROUP LIMITED
Incorporated in the Republic of South Africa
Registration number 1997/013448/06
Share code: PMV
ISIN: ZAE000039277

REGISTERED OFFICE
25 Rudd Road, Illovo, Sandton
PO Box 3008, Saxonwold, 2132
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Telefax: +27 011 691 8011
www.primeserv.co.za
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COMPANY SECRETARY
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(represented by E Goodman)
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Grove City
196 Louis Botha Avenue
Houghton, 2198

LEGAL ADVISORS
DLA Cliffe Dekker Hofmeyr

Edward Nathan Sonnenbergs

SPONSOR
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Deloitte & Touche Place
The Woodlands
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Woodmead, 2196
Private Bag X6, Gallo Manor, 2052

BANKERS
FirstRand Bank Limited

Investec Bank Limited

AUDITORS
Baker Tilly SVG
Third Floor
3 Melrose Boulevard
Melrose Arch, 2076

TRANSFER SECRETARIES
Computershare Investor Services
Proprietary Limited
Registration number 2004/003647/07
70 Marshall Street, Marshalltown, 2001
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