integrated report
2017

contents

navigating **the six capitals**

Primeserv's ability to create value is determined by how the six capital resources are affected or transformed by the activities and outputs of the business.

financial capital

Financial capital is the foundation of the Group's equity and debt funding. Astute financial management employing sophisticated systems, controls and processes and the reinvestment of cash flow underpin the growth of the Group.

human capital

Human capital is the people who work for us. We invest in training and development, and recruitment and retention to ensure we deliver on our value proposition to clients.

intellectual capital

Intellectual capital is the considerable experience and expertise we hold in our business. Primeserv has a deep understanding of the Human Capital value chain. The Group actively participates in industry and business bodies. In addition, we have highly specialised industry sector experts with decades of experience across most components of South Africa's economic sectors.

manufactured capital

Manufactured capital is the efficient, customised and client-centric systems within our Shared Services hub that enables Primeserv to deliver efficient payroll and management information reporting that measures and monitors performance.

social and relationship capital

Social and relationship capital is built on our strong ethical foundation. We contribute to job creation and skills development. We live transformation in the workplace. We actively advance youth and the communities we work in whilst also advancing allied long-term Corporate Social Investment (CSI) programmes.

natural capital

Natural capital is the natural resources such as water, electricity, fuel and paper that we use in conducting our business.

introducing **the report**

We are pleased to present our 2017 Integrated Report which covers the performance of Primeserv Group Limited and its subsidiaries, all of which operate in South Africa, for the year ended 31 March 2017. Our report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with our key stakeholders that have a significant influence on our ability to create value.

Primeserv's Integrated Report contains the full set of audited consolidated financial statements for the year ended 31 March 2017.

material issues and stakeholder engagement

Primeserv conducts its business ethically and responsibly with a view to creating value in the long-term interest of all stakeholders. We are committed to the principles of integrated reporting as it aligns with our thinking and approach to long-term value creation and the role we play as a large employer in South African society.

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

preparation of the integrated report

The following reporting frameworks were considered when preparing this report:

- The Companies Act of South Africa
- The Listings Requirements of the JSE Limited ('JSE Listings Requirements')
- King III (checklist available on www.primeserv.co.za) and the principles in King IV considered
- International Financial Reporting Standards ('IFRS')
- International Integrated Reporting Council ('IIRC') Integrated Reporting Framework.

The contents of this 2017 Integrated Report are broadly comparable with that of the 2016 Integrated Report.

assurance

The Primeserv Integrated Report has not been independently assured, as the Group does not yet have a combined assurance model for the integrated reporting process. A suitable model is being formulated. The Board of Directors of the Group, assisted by the Audit, Governance and Risk Committee, is responsible for ensuring the integrity of the Integrated Report. The audit opinion expressed by the external auditors is included in their audit report as part of the Annual Financial Statements of the Group.

forward-looking statements

Certain statements contained in this report are forward-looking statements, which Primeserv believes are reasonable, and which consider information available up to the date of publication. Final results could, however, differ materially from those set out in the forward-looking statements because of factors such 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 react to 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, Mazars.

contacts

The Group's executive directors for the year under review were Merrick Abel (Chief Executive Officer) and Raphael Sack (Financial Director). Desmond Seaton resigned as a director on 21 April 2016. They can be contacted at the registered office of the company. Primeserv's Integrated Report 2017 is available on the Group's website: www.primeserv.co.za. Queries regarding the Integrated Report can be sent to the following email address: IAR@primeserv.co.za.

approval of this 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 Board authorised the Integrated Report on 28 September 2017.

For and on behalf of the Board:

CS Ntshingila	**M Abel**	**R Sack**
Chairperson	*Chief Executive Officer*	*Financial Director*

28 September 2017

year in **review**

revenue
▲ 12%
R642.1 million

EBITDA
▲ 52%
R24.6 million

operating profit
▲ 49%
R21.6 million

profit before taxation
▲ 76%
R19.5 million

earnings per share
▲ 28%
17.77 cents

headline earnings per share
▲ 35%
18.74 cents

net asset value
▲ 16%
127 cents per share

our **purpose**

To provide customised integrated business support services that meet our clients' specific needs.

our **business**

Primeserv Group Limited is a JSE-listed investment holding company with operations focused on leading-edge business support services that drive increased productivity and performance for our clients.

group **overview**

We offer extensive industry knowledge, business support services expertise and a passion for innovation, combined with a deep commitment to the success of people. In our business we foster a culture of inclusiveness, teamwork and obsessive client-service excellence in an environment of continuous improvement.

competitive **differentiators**

- **Client-centric solutions** that enable the achievement of **business objectives**
- Market-leading **customer service excellence**
- **In-depth understanding** and **extensive experience** in providing and managing the **human capital** needs of organisations within the sectors in which we operate
- **Continuous innovation** and commitment to improving our services
- Leading-edge **management and information systems**
- **Robust monitoring** against **performance objectives**

our **focus**

our **pledge**

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

Primeserv is a leading provider of integrated business support services focused on providing market-leading human capital services, spanning staffing and recruitment services, functional outsourcing services and training and consulting services. We align our customised offering to our clients' needs, optimising their required human capital base to enhance the capabilities of their organisations. Our innovative solutions deliver economically measurable value-added services that directly impact on productivity and performance. This allows our clients to focus on their business objectives, so as to achieve their strategic goals.

The key drivers of successful human capital management are knowledge, skills, abilities, experience, intelligence and training. These traits also enhance employability. Primeserv has a strong focus on the development of labour force skills through training and learnership programmes, with a particular focus on the youth.

group **structure**

primeserv
group limited

integrated business support **serv**ices

Staffing and Recruitment Services

- **Permanent** Recruitment
- **Temporary** Recruitment
- **Temporary Employment** Services
  - Contract Staffing
  - Contingent and Full Site Services
  - Adhoc Labour Pools
  - Independent Contracting Services
  - Industrial Action/Strike Solutions
  - Staff Express

Shared Services

- **Shared** Services
  - Corporate Office
  - Finance
  - Legal
  - Information Technology
  - Human Resources
  - Marketing
  - Administration

Training and Consulting Services

- **Training** Services
  - Training Needs Identification, Implementation and Audits
  - Customised Training Programmes
  - Training (at Primeserv Centres or on-site at client)
    - ABET
    - Technical
    - Corporate
    - Management
    - Legislated
  - Learnerships (Facilitation and Administration)
  - Skills Centres
  - Innovation Skills Development Hub
- **Consulting** Services
  - Human Capital Management Consulting
  - Strategic HR Planning
  - Skills Gap Analysis
  - Training Needs Advisory
  - Legislative Training Compliance
  - Performance Management
  - Workplace Skills and EE Plans
  - B-BBEE Advisory
  - EE Advisory
  - Remuneration Advisory

Related Business Support Services
- Payroll Services
- Functional Outsourcing
- Business Process Outsourcing
- Productivity Services and Solutions
- Time and Attendance Systems
- Customised Management Information
- HR and IR Services
- Mega-project Services
- Lifestyle and Employee Benefits

360

brands and trademarks

primeserv

integrated business support **serv**ices

PEOPLE • PRODUCTIVITY • PERFORMANCE

the Primeserv INT**HR**GRATE™ model

STAFF DYNAMIX

Denverdraft

BATHUSI

our **value proposition**

We provide integrated business support services that are tailored specifically to our clients' needs. The essence of our business is understanding our clients' businesses so that we deliver optimal service all the time. Our proprietary INT**HR**GRATE™ services model facilitates a holistic approach to determining the products and services a client needs. The INT**HR**GRATE™ approach encompasses understanding the client's business strategy and structure, considering the human capital strategy, and selecting the required support services and solutions that will enable our clients to achieve their business objectives.

PEOPLE • PRODUCTIVITY • PERFORMANCE

primeserv

- Permanent Recruitment
- Temporary Recruitment
- Temporary Employment Services
- Payroll Services
- Functional Outsourcing
- Business Process Outsourcing
- Productivity Services and Solutions
- Time and Attendance Systems
- Customised Management Information Reporting
- HR and IR Services
- Mega-project Services
- Lifestyle and Employee Benefits Programmes
- Accredited Training and Skills Development
- Skills Training Centres
- Learnerships
- Human Capital Management Consulting
- Skills Development and Innovation Hub

our **footprint**

sectors **we service**

We service the following sectors of business and industry:

Agriculture

Automotive

Banking

Building and Construction

Design and Draughting

Drivers and Transportation

Engineering and Fabrication

Facilities Management

Financial and Insurance

Food Production

Government Services

Harbours and Railways

Hospital, Nursing and Medical

Logistics and Distribution Centres

Mechanical

Merchandising

Mining

Paper and Pulp

Petrochemical

Pharmaceutical

Power Generation

Retail and Wholesale

Secretarial and Office Support

Tourism and Hospitality

Telecoms

Telemarketing and Call Centres

Warehousing

Waste Management

how we **create value**

our strategy

strategic intent

To deliver a sound and sustainable return on investment for our shareholders by leveraging the Primeserv Human Capital Services value chain through:

- Establishing, maintaining and growing a strong financial position to facilitate both organic and acquisitive growth
- Investing in intellectual capital, assuring industry specific skills, and maintaining a strong and experienced management team
- Securing, maintaining and developing short and long-term contractual business to deliver real and consistent growth in earnings.

strategic objectives

- Deliver economically measurable value
- Continuous innovation and alignment of products and services with clients' needs
- Evolve to meet constantly changing labour environment
- Expand client base and market reach
- Diversify service offering to include higher margin businesses
- To be an employer of choice in South Africa
- Enhance effective transformation
- Partner with clients to drive growth in South Africa

strategic enablers

- Financial discipline and maximisation of efficiencies
- Strong values and a performance driven culture in a nurturing environment
- Frequent and meaningful interaction with clients to align products and services to their needs
- Depth of knowledge of market dynamics
- Targeted benchmarking to ensure products and services are aligned to clients' needs and international best practice
- Latest technology to enhance the delivery of our services
- Representation on key industry bodies

our INTHRGRATE™ model

Our proprietary client management process ensures that the Primeserv INT**HR**GRATE™ model underpins our service offering to our clients, irrespective of whether they require a comprehensive service or modular service component. This service is delivered at no extra cost to our clients.

our **business model**

Primeserv's business model is the engine of value creation and is driven by the resources fed through it in accordance with our strategy.

inputs

Equity funding

Debt funding

Ethical values

Strong leadership

Experienced management and operational teams

Skills development and training

Human Capital services that add value to clients

Proprietary operating model

Systems and procedures

Brand and company culture

Risk management and governance

Capable and trained personnel

Enabling technology

Modern, connected regional hubs and national branch network

Positive employee relations

Constructive engagement with government, unions and employer organisations

Active participation in industry bodies

Community development projects

Collaborative partnerships

Water, electricity, fuel, paper

business activities

Staffing and Recruitment Services

Training and Consulting Services

Shared Services

Related Business Support Services

impacts on our business

- Macro-economic conditions
- Political stability
- Socio-economic conditions
- South African labour environment
- Employment market
- Labour legislation
- Digitisation and automation

primeserv's operating market

- Primeserv is a key player in the markets in which it operates
- Highly competitive price sensitive market
- Skills shortages
- Rapidly evolving environment: technology, connectivity, mobility and automation
- Low growth environment with high levels of unemployment

outputs

Taxation

Remuneration

Profits and dividends

Value for clients from the skills and motivation of our employees

Improved employee performance

Enhanced employee productivity

Fair labour practices

Customised client-centric services and solutions

Technologically advanced Shared Services hub

Sophisticated output and productivity monitoring

Efficient payroll processing and management information reporting

Community upliftment and investment

Youth skills development and advancement

Positive relations with employees, regulators and other stakeholders

outcomes

Shareholder returns

Robust balance sheet

Contribution to the competitiveness of various industries

Employer of choice

Career development and advancement

At the forefront of industry bodies

Setting standards of expertise and service excellence

Each employee has an economic impact on multiple persons

Add value to the economy as a large employer

Support the economy through clients' improved contribution to the economy

Supporting the National Transformation Agenda

Researching and facilitating the future of work

Long-term commitment to the South African labour sector

Advancement of youth employment

Assisting disadvantaged communities

Transformation

our **stakeholders**

Our business is about people and operating our business successfully requires that we manage a complex range of critical relationships. We regularly engage with our key stakeholder groups to gain insight that informs our decisions on strategy and risk management.

Key stakeholders in our Group are shown below with the main issues that concern them:

employees

Including all our permanent and contract employees, shared services teams and management.

what they mean to us

People are our key enabler. We believe excellent care of our employees breeds excellent service. Developing our people as key assets is imperative for our business, our clients' businesses and for South Africa's economic growth and social development.

we create value for our employees by providing:

- Employment opportunities with fair and rewarding remuneration
- Skills development and career path management
- Performance management and constructive engagement and intervention
- Working in an innovative supportive environment for an employer of choice
- Transformation initiatives

clients

Our clients include local businesses, multinationals, government and parastatals.

what they mean to us

Our clients are the cornerstone of our business. To operate successfully, delivering a sustainable return on investment for our shareholders, we need a stable customer base, with potential for organic growth and referral to new clients.

we create value for our clients by providing:

- Business capability, resilience and increased competitiveness
- Ability to focus on their core activities while we manage their key human capital requirements
- Service excellence backed by continual monitoring and benchmarking of services through reliable systems
- Product and service offerings that provide solutions which address current business imperatives
- Uninterrupted and on-time supply of services
- Understanding of and compliance with legislative requirements

shareholders and potential future investors

Include our shareholders and the investment community.

what they mean to us

A stable major shareholder base supports the Group' sustainability. A sound relationship with the investment community enhances our ability to raise capital in the market if necessary.

we create value for our shareholders by providing:

- Return on investment
- Business sustainability
- Diversified growth opportunities
- Compliance with regulatory requirements

government and government regulators

Include government and various industry regulatory bodies.

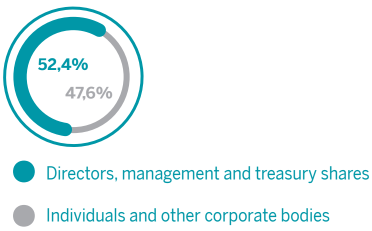
What they mean to us	We create value for government and regulators by providing:
We value labour legislation and regulation that ensures the protection and advancement of workers and businesses. We appreciate the opportunity for proactive engagement and collaboration in a changing legislative environment.	• Compliance with regulations and legislation • Tax contributions • Transformation • Job creation • Youth employment as a key national priority

communities

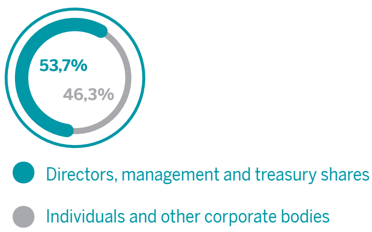
Include the communities in which we operate.

What they mean to us	We create value for communities by providing:
We recognise that creating shared value is mutually beneficial to both Primeserv and the communities in which we operate as it contributes towards socio-economic development and future stability.	• Financial support to community skills development initiatives • Including communities in the value chain, through employment, procurement or CSI initiatives that directly benefit locals, in particular the youth

shareholders **2017**



shareholders **2016**



how we are **managed**

board of directors

independent non-executive directors

Cleopatra Ntshingila Chairperson
David Rose Lead Independent
J Michael Judin

non-executive directors

Letepe Maisela

executive directors

Merrick Abel Chief Executive Officer
Raphael Sack Financial Director

audit, governance and risk committee	remuneration and nominations committee	social and ethics committee
David Rose Chairman	J Michael Judin Chairman	Letepe Maisela Chairman
J Michael Judin	Letepe Maisela	Merrick Abel
Cleopatra Ntshingila		Cleopatra Ntshingila

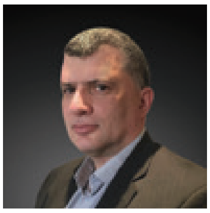
manco

business unit management
operational units
national hub and branch network

supported by
shared services

our **board**

1



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6

executive directors

1. **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 Chief Executive Officer and was Executive Chairman from 2000 to 2003. He fulfilled the role of Acting Chairman from April 2015 to March 2016, while the Group was finalising the Board component of its transformation strategy. Merrick has over 29 years of local and international business experience, particularly in the industrial and services industries.

2. **Raphael Sack**

Financial Director

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.

non-executive directors

3. **Cleopatra S Ntshingila#***

Independent Non-Executive Chairperson

BA (Law), LLB, HDip Tax

Appointed: August 2009

Cleopatra is currently the General Manager in the Office of Group Chief Executive Transnet. She is also the legal lead of the core team for the Execution of the Continental High Speed Railway project spearheaded by the African Union Commission. She has vast experience in the inter-modal transportation sector including infrastructure planning, business development, commercial, specialised finance and the regulatory environment.

4. **J Michael Judin#¤**

Independent Non-Executive Director

Dip Law

Appointed: August 1997

Michael is a director of Johannesburg-based law firm, Judin Combrinck Inc. He is legal adviser to and a 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 the lead non-executive director of Nu-World Holdings Limited.

5. **David L Rose#**

Lead 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 an independent non-executive director of Super Group Limited and the Chairman of its Audit, Risk and Social and Ethics Committees.

6. **Letepe M Maisela ¤***

Non-Executive Director

BA (Social Sciences) Harvard Business School, PMD

Appointed: December 2008

Letepe is the Managing Director of Village Management Consulting Proprietary Limited. He has over 26 years' experience in marketing and management consulting. He is the founder and Chairman of Tsabatsaba Holdings Proprietary Limited (formerly Kgorong Investment Holdings Proprietary 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).

Audit, Governance and Risk Committee

¤ Remuneration and Nominations Committee

* Social and Ethics Committee

chairperson's report

Despite the difficult operating context, the 2017 financial year was a good year for Primeserv. We delivered strong results, augmenting the Group's long-term sustainability. We continued to make a worthy contribution to employment creation and skills development in South Africa. Our proactive involvement in addressing issues in the South African labour market continued.

This was achieved against the backdrop of an economic crisis, intensifying unemployment levels, social unease and ongoing political tension. In addition, the Temporary Employment Services (TES) sector is still in the grips of uncertainty as ambiguity around the changes in the labour legislation, promulgated in January 2015, are interpreted and tested. Despite the turbulent conditions and whilst Primeserv made solid profits, this must be balanced with a focus on how we will achieve future growth and sustainability in the face of adverse conditions.

South Africa's economy grew marginally in 2016, sinking into negative territory in the first quarter of 2017. This can be attributed to low commodity prices, the impact of the drought and weak demand for locally made goods as well as a difficult consumer environment beset with the rising cost of living and high levels of unemployment. Political instability spurred currency volatility in the year under review and the economy has undergone a credit rating downgrade.

GDP growth rates for 2017 and 2018 are expected to be below 1%. The economy's emergence from technical recession is encouraging, however, it takes time for the ramifications of the downturn to manifest in our sector as companies right-size to meet prevailing market conditions.

Unemployment levels in South Africa are a major social challenge that are exacerbating existing political, economic, socio-economic and social instabilities in our country. According to the Statistics South Africa "Quarterly Labour Force Survey" for the first quarter of this year, unemployment stands at 27,7%. The state of the economy does not bode well for job creation as companies operating in contracting markets are experiencing economic pressure, which results in reducing headcount in the staffing sector.

Initiatives focused on youth development, training and employment advancement and related community based CSI programmes.

Youth unemployment figures have reached an all-time high of 54%. Primeserv contributes to addressing this critical issue through training initiatives focused on youth development, training, employment advancement and related community

based CSI programmes. Primeserv works closely with government organisations, NGOs, business and labour to drive sustainable initiatives that develop skills and workplace opportunities particularly for the youth of South Africa.

In the previous year, the Labour Court ruled on the interpretation of a section of the amended law deeming that there was a dual employment relationship between the TES and the client of the TES. This stabilised the industry, however, the Labour Appeal Court has now overturned this ruling. In response, the legal team acting on behalf of the initial respondent and industry representatives has filed an application for leave to appeal to the Constitutional Court. This suspends the judgement of the Labour Appeal Court. This appeal will be heard in early 2018 and judgement should follow three to four months later. In the meantime, the status for the TES industry is "business as usual". The impending appeal process has created some uncertainty as to the way forward regarding aspects of the TES industry. However, it is the industry's view, and that of its advisors, that the TES industry will continue to play a vital role in meeting the fluctuating and ever-changing demands placed on workforce management.

Over the past two years research projects have affirmed the value and beneficial impact of the TES sector in South Africa. The TES sector provides flexibility, which is a core component for competitiveness in a global economy. Restricting flexibility has potentially negative ramifications for the South African economy.

The risks to the TES industry have increased significantly as a result of the new legislation. Primeserv has, however, positioned itself to respond proactively to the way the industry has and continues to evolve, be it in the supply of TES services as currently utilised in our market or adaptations thereto, or to the transition to full service functional outsourcing and productivity services.

It is difficult to gain insight into the future but the Group has a long track record of agility. Primeserv will focus on adapting and expanding the business to strengthen the Group's resilience and position it to meet future market demands. A solid financial foundation, proven client service excellence and capability and under-utilised capacity will allow Primeserv to take advantage of opportunities.

On behalf of the Board I would like to congratulate our CEO, Merrick, and his senior management team on the excellent performance for the year. Under your direction, all the people of Primeserv have contributed to a remarkable performance given difficult trading conditions.

I would like to thank my fellow directors for their diligence and leadership during the past year.

Cleopatra S Ntshingila
Chairperson

chief executive officer's report

We foster a culture of inclusiveness, teamwork and obsessive client-service excellence in an environment of continuous improvement.

South Africa's human capital management and outsourcing landscape is highly complex and vulnerable to an array of external headwinds. The macro-economic dynamics in the year under review made for a very tough operating environment, with a pervading sense of uncertainty that has continued into the new financial year. An extremely weak economy and the possibility of further downgrading of South Africa's sovereign credit ratings as well as political instability weighed heavily on business confidence. In the last quarter of our 2017 financial year South Africa entered a technical recession. With this backdrop, the labour market has been under extreme pressure and South Africa's unemployment rate reached a 13-year high. The strained external context is further compounded by a rigorously legislated and regulated, ever-changing labour environment.

Primeserv supports labour legislation and regulation that protects all workers, particularly those vulnerable to exploitation, and is responding proactively to the evolution of the TES industry. Our service offerings continue to provide fully compliant customised solutions across all our staffing, business process outsourcing, functional outsourcing and productivity-related services.

Underlying demand in South Africa's economy is extremely weak, with most of the industry sectors serviced by the Group remaining constrained. Our improved performance was achieved despite decreased volumes and narrowing margins in certain sectors serviced by the Group. Primeserv's focus on client-service excellence and client-centric products and services, and our national delivery capability are key business drivers. Primeserv maintains long-standing client partnerships, with local companies, multinationals, government and parastatals.

Our financial position continued to strengthen in the year under review, with net asset value for the year improving from 110 cents per share to 127 cents per share.

Revenue increased by 12% for the year from R572.4 million to R642.1 million, buoyed by new contracts secured and the expansion of national contracts in the second half of the year. Improved revenue contributed to a 49% rise in operating profit from R14.5 million to R21.6 million. EBITDA was up by 52% from R16.2 million to R24.6 million. Net profit before tax increased by 76% from R11.1 million to R19.5 million and net profit after tax increased by 49% from R11.2 million to R16.7 million. This translated to a 28% increase in earnings per share to 17.77 cents per share from 13.86 cents per share, with headline earnings per share increasing by 35% from 13.86 cents per share to 18.74 cents per share.

Trade receivables increased from R80.0 million to R125.7 million. Increased sales in the second half of the year resulted in overall days sales outstanding (DSO) rising from 45 days to 63 days, the delay resulting from the implementation of payment processes at a new client and an increasing contribution from clients with longer credit terms. This has largely been resolved, with most of the outstanding trade receivables collected post year-end. The increased sales and higher DSO impacted cash flow, specifically at year-end, and gave rise to a net cash outflow for the year of R12.1 million as opposed to an inflow of R17.0 million in the prior year.

Our Staffing and Recruitment Services segment delivered a strong performance with revenue for the segment up by 15% from R532.4 million to R609.9 million, operating profit up by 23% from R27.3 million to R33.6 million and EBITDA up by 23% from R28.6 million to R35.2 million. Tight working capital management, margin improvement and operating efficiencies remain key focus areas. Cost containment further contributed to the improvement in the Group's overall operating profit. Revenue from the Training and Consulting Services segment dropped, unexpectedly, by 19% from R40.0 million to R32.2 million. This resulted in a decline from an operating profit of R1.1 million in the prior year, to an

operating loss of R1.3 million in the year under review. During the year, we began the process of implementing a more variable cost business model to address changing revenue patterns and to rectify operational underperformance. This segment is of strategic importance to the Group, and it plays a pivotal role in our ongoing skills development programmes, particularly those that contribute to youth employment advancement.

In the short-term the economy and our operating environment will remain under pressure. Socio-economic conditions are unlikely to improve significantly and, given ongoing political unease and an uncertain labour legislation framework, future performance is unpredictable. The recessionary environment will continue to hamper growth with volumes and margins expected to remain muted.

Primeserv is very solid operationally, what we do we do well. We have a deep understanding of the human capital and industrial relations environment. We deliver outcomes-based solutions for clients that enhance the productivity and performance of their businesses, through our ability to access and deploy required skills as and when required. Primeserv is a hub of skills development and training. In the past few years, we have delivered approximately 35 000 training programmes to individuals across the various industries in which our clients operate. We are deeply committed to developing our labour-force's skills and employability, especially those of the youth. A key focus is ensuring that we have a positive social impact through youth skills development and unlocking workplace employment opportunities.

The Group's solid balance sheet will stand us in good stead as we continue to navigate the macro-environment. Primeserv's low level of gearing provides a sustainable underpin for the Group and is also a key enabler of both organic and acquisitive growth in new areas that will mitigate the risks of our current operating environment. To strengthen our sustainability as we are confronted with anticipated challenges Primeserv will be repositioning itself for new opportunities in the business support services space.

Innovation is a strategic imperative in our Group. Operationally, innovation shapes our products and services to meet changing market needs. New technologies pose a disruption risk to our industry. Increased mechanisation, automation and robotisation will erode elements of the job market as we know it. We live in a rapidly evolving world where skills required by employers are constantly changing. Primeserv is embracing the future world of work in which people and new technologies and ever-increasing automation will combine to enhance productivity.

Primeserv's current position in the human capital services market and its diversification strategy within the business support services environment should provide it with a platform for long-term sustainability.

What we accomplished in the 2017 financial year was only possible through the efforts and unwavering commitment of our management team and staff. Primeserv has always recognised that our people are our most important asset. This is even more evident in times of uncertainty. Well done to all our employees for upholding Primeserv's reputation for excellence.

Thank you to my fellow directors for your valuable guidance and wisdom over the year. A special thank you goes to our clients, business partners, shareholders and all our other stakeholders for your continued support during the past year.

M. Abel.

Merrick Abel
Chief Executive Officer

risk management and mitigation

Our full risk management processes are discussed in more detail on pages 24 to 26. The most significant risks we face, and how we manage these, are indicated in the risk matrix below:

key risk	mitigation
New labour legislation	Primeserv has evolved its service offerings to continue to provide fully compliant customised solutions across all its staffing, business process outsourcing and functional outsourcing services.
Attracting and retaining key staff and senior Historically Disadvantaged Individuals (HDIs)	Customised learnerships and skills development and training programmes are used to develop key staff and senior HDIs. Recruitment and retention plans have been implemented to attract and further develop personnel.
Skills shortages	Most business units in the Group continue to be affected by skills shortages and ongoing investment is made in employee up-skilling. A skills development and innovation hub is being opened to facilitate the process of skills development and employee upliftment.
IT systems	The implementation risk has been reduced by an experienced implementation team who have developed key expertise specific to the TES/HR industry. Relevant software and hardware is continually updated and tested to ensure efficient operational capability.
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 process is driven by the Social and Ethics Committee and monitored by the Board. Internal and external surveys are carried out to determine status metrics and to facilitate improvements where required.
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. New HR/IR software modules that interface with the Staffing and Recruitment Services segment's payroll and contractor databases and systems have been implemented.

governance, risk and remuneration

corporate governance report

The Board subscribes to ethical leadership, business, social and environmental sustainability, stakeholder inclusivity and sound values of good corporate governance.

The Board leads by example in promoting ethical practices and sound corporate citizenship. The Group has a Code of Ethics and Corporate Conduct in place designed to ensure that Primeserv operates within the framework of good business practice. This is complemented by the Primeserv Pledge. (See page 3)

All decisions and actions 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 can justify its decisions and actions to shareholders and other stakeholders.

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

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

Effective governance is considered a vital component and contributor to the Group's sustained performance. Primeserv's governance foundation is based on the combination of voluntary and compulsory guidelines including the principles and practices of the King Code of Corporate Governance for South Africa 2009 (King III), the Companies Act, 71 of 2008 (Companies Act) and the JSE Listings Requirements.

The governance structures and processes are regularly reviewed and updated to accommodate internal developments and reflect best practice.

Primeserv has a Code of Ethics and Corporate Conduct in place articulating Primeserv's commitment to conducting business in a responsible and ethical manner and outlining the Group's responsibilities to stakeholders. All Group employees are expected to conduct themselves with integrity in their internal and external dealings and are expected to adhere consistently and uncompromisingly to the highest standards of ethical behaviour. The Board is confident that the ethical standards of the Group are being upheld.

primeserv's board composition and independence

The Primeserv Board comprises six members made up of three independent non-executive directors, one non-executive director and two executive directors. Members bring a wealth of specialised industry, financial and company experience.

The roles and responsibilities of the independent non-executive Chairperson and the Chief Executive Officer have been clearly defined and are distinct to ensure checks and balances in decision-making. No single director is positioned to exercise unfettered decision-making, which protects against the influence of possible personal interests and thereby ensures that the interests of all stakeholders are represented and taken into account. The Chief Executive Officer provides strategic leadership and is responsible for day-to-day operational decisions and business activities. 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 Chairperson encourages proper and appropriate deliberation on matters requiring the Board's attention. Executive directors are all bound by employment contracts and restraint agreements.

The composition of the Board is reviewed annually by the Remuneration and Nominations Committee, which considers the required mix of skills, experience and other qualities and assesses the effectiveness of the Board, its various Committees and the contribution of each director.

Executive directors are appointed based on their skills, experience and level of contribution to and impact on the Group's activities. Non-executive directors are selected in line with the Group's transformation strategy, and based on industry knowledge and their professional skills and experience 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 directors are subject to election by shareholders. 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. Retiring directors may make themselves available for re-election, if they remain eligible as required by the Memorandum of Incorporation and in compliance with the JSE Listings Requirements.

governance, risk and remuneration (continued)

Accordingly LM Maisela and DL Rose will retire by rotation at the upcoming Annual General Meeting, and, being eligible, will offer themselves for re-election. A brief CV of each director standing for election at the Annual General Meeting is contained in this Integrated Report. In determining whether to recommend a director for re-election, the committee considers the director's past attendance at meetings, participation in and contributions to the activities of the Board, and the results of the most recent Board self-evaluation in addition to compliance with regulatory requirements.

While non-executive directors' appointments are not always 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 that considers their individual experience, skills and requirements. A summary of the Group's remuneration policy is set out on page 28.

evaluation

The Board, individual directors, Board Committees and the Chairperson are evaluated annually. Appropriate measures are taken to address any weaknesses highlighted through the evaluation process. Each independent director provides input and is expected to demonstrate intellectual integrity in his/her self-assessment.

conflicts of interest

The Board also considers the director's interests including those in the business in terms of direct or indirect shareholding and/or an interest in a contract with the Group. The Board assesses the materiality of the directors' interests, but considers amounts constituting less than 5% not material. The Board defines levels of materiality, reserving specific powers for itself and delegating other matters, together with the necessary authority, to management. Conflicts of interest, actual or perceived conflicts are monitored, and disclosed at each Board meeting. Dealing in shares by directors and senior officers is governed by a formal policy.

board responsibilities and functioning

The Board meets regularly and retains full and effective control over the Group. 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.

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

The Board defines levels of materiality. The directors are empowered to delegate their authorities to the Chief Executive Officer or any other executive director and similarly to properly constituted Board committees. Notwithstanding this, the directors recognise that they are ultimately accountable and responsible for the performance and affairs of the Company and the Group and that the use of these delegated authorities in no way absolves the Board of the obligation to carry out its duties and responsibilities.

A process of control enables the Board to assess and 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 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. The Board contributes to and approves the Group's strategy, satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management. The Board ensures that the strategy will result in sustainable outcomes and considers 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.

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

attendance at meetings

	Board Meeting		Audit, Governance and Risk Committee		Remuneration and Nominations Committee		Social and Ethics Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Cleopatra S Ntshingila	4	3	3	2	n/a	n/a	2	2
J Michael Judin	4	4	3	3	2	2	n/a	n/a
David L Rose	4	4	3	3	n/a	n/a	n/a	n/a
Letepe M Maisela	4	3	n/a	n/a	2	2	2	2
Merrick Abel	4	4	3	3*	2	2*	2	2
Raphael Sack	4	4	3	3*	n/a	n/a	n/a	n/a
Desmond C Seaton	4	4*	3	3*	n/a	n/a	n/a	n/a

** By invitation*

company secretary and independent advice

The Board of Directors have direct access to the Company Secretary, ER Goodman Secretarial Services Proprietary Limited, who provide guidance and assistance in line with the requirements outlined in the Companies Act, King III and the JSE Listings Requirements. Primeserv's Financial Director and/or the Group Legal and Risk Officer attend to certain company secretarial responsibilities.

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

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

board committees

The Board delegates certain functions to well-structured Committees without abdicating its own responsibilities. Board Committee charters define the purpose, authority and responsibility of the various Board Committees.

audit, governance and risk committee

The Audit, Governance and Risk Committee is constituted as a statutory committee of the Company in compliance with the Companies Act, King III and the JSE Listing Requirements. Its composition, responsibilities and activities are covered in the Audit, Governance and Risk Committee Report on pages 27 and 35.

remuneration and nominations committee

The Remuneration and Nominations Committee is constituted as a committee of the Board for the purposes of considering remuneration across the Group and the composition of the Board and its committees, including training and succession. Its composition, responsibilities and activities are covered in the Remuneration and Nominations Committee Report on page 28.

social and ethics committee

The Social and Ethics Committee is constituted as a statutory committee of the Company in compliance with the Companies Act. Its composition, responsibilities and activities are covered in the Social and Ethics Committee Report on page 31.

governance, risk and remuneration (continued)

risk and compliance

governance of risk

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

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

The Audit, Governance and Risk 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, cyber risk, credit and market risk and governance and compliance risk. This assists the Board in its assessment and management of risk.

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

The Board is regularly kept abreast of the Group's levels of tolerance and appetite for risk and recommendations are made. The Board approves the assessment and management of risk within the levels of tolerance and appetite.

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

risk management framework

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

operational risk management

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

internal control

The Board is responsible for the Group's systems of internal control and risk management. The Audit, Governance and Risk Committee assists in this regard. The committee evaluates the adequacy and effectiveness of internal control systems and monitors the implementation of recommendations made by the external auditors. The Group has internally defined lines of accountability and delegation of authority, and makes provision for comprehensive reporting and analysis against approved standards and budgets. Compliance is tested by way of management 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.

The internal control systems exist to provide reasonable but not absolute assurance regarding the safeguarding of assets and the prevention of their unauthorised use or 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 so as to achieve business objectives, and can provide reasonable rather than absolute assurance against material misstatement or loss. There is an ongoing process of identifying, evaluating, managing, monitoring and reporting on significant risks faced by the Group.

internal audit

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

external audit

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

insurance

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

information technology

The Board is ultimately responsible for IT governance and acknowledges the vital role that information technology governance must play in the management of risks and the achievement of Group objectives. Primeserv has an IT governance framework in place, which ensures management's appreciation for, and ability to manage, risk associated with IT and delivering value from its use. The framework is a control model designed to meet the recommendation of IT governance and ensure the integrity of information and information systems. The framework considers business requirements, control needs and technical issues. Implementation of the IT governance framework has been a phased process and is progressively broadening to include:

- Alignment of IT strategic objectives and 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.
- Continual evaluation of processes and procedures.
- Remedial action to deal with poor performance if and when required.
- Suitable criteria for decision-making.
- Open communication between the IT department and the other business units to promote collaborative planning.
- Evaluation of the benefits of outsourcing certain IT functionalities.
- An annual IT assurance statement on key IT projects and performance metrics.
- A robust disaster recovery management process.

tax

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

compliance with laws, rules, codes and standards

Primeserv operates within a complex legislative framework. The Group monitors amendments to existing laws, new laws and the passing of new Bills to ensure compliance. Business processes are then aligned to the legislative framework.

governance, risk and remuneration (continued)

restriction on share dealings

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

stakeholder relationships

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

Details of the Group's engagement with key stakeholders is outlined on page 12.

annual general meeting

The agenda for the Annual General Meeting (AGM) is set by the Company Secretary and is communicated to all shareholders in the notice of the meeting that accompanies the Integrated Report. Consequently, the notice of the Annual General Meeting 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 Chairperson during the meeting for the discussion of any proposed resolutions. The conducting of a poll to decide on any such resolutions is controlled by the Chairperson and takes account of the votes of all shareholders, whether present in person or by proxy. A proxy form is included in the Integrated Report for this purpose.

The Group recognises the importance of its shareholders' attendance at its Annual General Meeting. 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 Annual General Meeting 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 Annual General Meeting 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 Annual General Meeting.

integrated reporting and disclosure

The Board acknowledges its responsibility to ensure the integrity of the Integrated Report and its Responsibility Statement authorising the release of the Integrated Report appears on page 34.

audit, governance and risk committee report

The information below constitutes the report of the Audit, Governance and Risk Committee in respect of the year under review, as required by the Companies Act.

The Committee is chaired by David L Rose and further comprises J Michael Judin and Cleopatra S Ntshingila, all of whom are independent non-executive directors with the required skills and expertise, as outlined in the King III. Executive directors Merrick Abel and Raphael Sack and Desmond C Seaton attended by invitation.

The Committee chairman attends the Annual General Meeting to answer any questions relating to matters in the ambit of the committee. The committee meets with the external and internal auditor without the presence of management at least once a year.

The Committee meets at least twice a year with additional meetings if required. Attendance at Committee meetings is set out on page 23.

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

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

responsibilities

- 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 that are appropriate and acceptable to the Group.
- Ensuring the reliability and accuracy of financial information provided to shareholders and other users of financial information.
- Appointing external and, where deemed necessary, internal auditors.
- Assessing the relevance, impact and resolution of accounting and/or auditing issues as may be identified by the external auditors.
- Ensuring compliance with legal and regulatory provisions, including stock exchange requirements.
- Formulating and updating the Group's Memorandum of Incorporation.
- Formulating and updating the Code of Ethics and Corporate Conduct.
- Formulating and updating the by-laws and rules established by the Board.
- Reviewing both the risks facing the Group and the risk management process.

The Audit, Governance and Risk Committee is satisfied that the appropriate risk management processes are in place.

The effectiveness of the Committee is assessed annually. It was found that the Audit, Governance and Risk Committee has duly completed its responsibilities during the year in accordance with its written terms of reference.

external audit

The Committee recommends the appointment of the external auditor for approval by shareholders at the Annual General Meeting. The Committee has satisfied itself that Mazars and Munesh Patel the designated auditor, are independent of the Company. The Committee confirms that the auditor and designated auditor are accredited by the JSE. The Committee, in consultation with the Chief Executive Officer, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2017 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 Chairperson of the Committee and no matters of concern were raised during the year under review.

governance, risk and remuneration (continued)

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. For further details see Risk and Compliance on page 24.

going concern assessment

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

annual financial statements and accounting policies

The Committee has reviewed the accounting policies and the financial statements of the Group and 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 Report for the year ended 31 March 2017 for approval to the Board.

The Board approved the financial statements on 28 September 2017 and the financial statements will be open for discussion at the Annual General Meeting.

David L Rose
Audit, Governance and Risk Committee Chairman

remuneration and nominations committee report

The Committee comprises independent non-executive directors J Michael Judin, who serves as Chairman, and non-executive director Letepe M Maisela. The Chief Executive Officer, Merrick Abel, attends meetings by invitation to assist the Committee in accessing information in certain of its deliberations and is excluded from deliberations in respect of his own remuneration. No director is involved in deciding on his or her own remuneration. Details of meeting attendance are on page 23.

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

responsibilities

- Ensuring that the Group's remuneration structures adequately attract and retain talented and relevantly experienced individuals who can contribute to the Group's sustainability.
- Recommending 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.
- Ensuring that nominees to the Board are not disqualified from being directors and, prior to their appointment, investigates their backgrounds in accordance with JSE recommendations.

remuneration philosophy

Primeserv is committed to offering fair and market-related remuneration. The remuneration philosophy focuses on maintaining, rewarding and developing the value of its people. The Group considers remuneration a key element to empowering each employee to make a positive contribution to the growth and sustainability of the business.

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

remuneration of non-executive directors

terms of service

Non-executive directors are appointed by shareholders at the Annual General Meeting. However, the Group policy makes allowances for interim Board appointments to be made between Annual General Meetings when necessary. The interim appointees serve until the next Annual General Meetings, when they may make themselves available for election by shareholders. In accordance with the Group's Memorandum of Incorporation non-executive directors are required to retire periodically by rotation, at which point they may seek re-election. Within this context, the length of service of non-executive directors who have served for more than 10 years has been reviewed. Given the need for continuity in an industry subject to constant change, the size of the Group and its ability to attract and retain essential skills, the Board has determined that the continued involvement of long-serving directors is vital and of benefit to the Group.

remuneration

Non-executive directors are remunerated for their contribution to the Board and Board Committees. Compensation for loss of office is not a contractual agreement. The annual remuneration and/or fees payable to non-executive directors are based on a retainer-based fee for membership or chairmanship of the Board and its Committees. From time to time special resolutions regarding remuneration of non-executive directors tabled for approval by shareholders. 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 or medical 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 Annual General Meeting.

Non-executive directors' remuneration is listed below.

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 2018 financial year:

Role	Base fees R	Attendance fees per meeting R	Attendance fees at all scheduled meetings R
Chairperson	78 000	19 000	76 000
Non-executive directors	24 000	19 000	76 000
Chairman of Audit, Governance and Risk Committee	83 100	–	–
Chairman of Remuneration and Nominations Committee	13 100	–	–
Chairman of Social and Ethics Committee	13 100	–	–
Committee members – Audit, Governance and Risk Committee	–	8 500	25 500
Committee members – Remuneration and Nominations Committee	–	6 100	12 200
Committee members – Social and Ethics Committee	–	3 400	6 800

The fees in the table are for individual roles while the aggregate fees any single director earns for the 2018 financial year will be based on a combination of the fees for all roles performed.

governance, risk and remuneration (continued)

The table below shows what the non-executive directors may be expected to earn for the 2018 financial year based on attendance at all scheduled meetings:

Non-executive director	Total fees year-end March 2018 (expected based on full attendance) R	Total fees year-end March 2017 (based on actual attendance) R
Cleopatra S Ntshingila	186 300	154 200
J Michael Judin	138 600	132 500
David L Rose	183 100	174 500
Letepe M Maisela	125 300	102 100
Total fees	633 300	563 300

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 considered 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 short-term strategic, and operational and performance targets;
- long-term cash and share-based incentives, which are determined by the successful development and implementation of medium and long-term business strategies, implementation of key business imperatives, 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 63.

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. Retention plans may include cash payments and/or asset-based awards as well as share-based incentive schemes. Long-term awards are designed to align the performance of both the individual and the Group. This further aims to address the retention of high-calibre and key personnel. Share incentive awards and other financial awards as may be considered appropriate from time to time are recommended to the Board by the Remuneration and Nominations Committee only when business and individual performance targets and/or other key imperatives have been attained.

J Michael Judin
Remuneration and Nominations Committee Chairman

social and ethics committee report

This Committee executes the duties assigned to it by the Companies Act as well as any additional duties assigned to it by the Board of Directors of Primeserv. Although management is tasked with the day-to-day operational sustainability of their respective areas of business, the Board remains ultimately responsible for Group sustainability and has delegated certain duties in this regard to the Social and Ethics Committee.

The Committee is chaired by Letepe M Maisela and further comprises, Cleopatra S Ntshingila and Merrick Abel. Details of meeting attendance are on page 23.

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

responsibilities

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.

The Committee assists the Board in ensuring that there are appropriate strategies and policies in place to further transformation. The Committee seeks to address all issues pertaining to the transformation of the Group into an organisation that is relevant within the context of a democratic South Africa, 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 particularly in support of the Group's employment equity and workplace skills plans – that do not detract from the organisation's long-term goal of delivering sustainable returns to shareholders and stakeholders alike. During the reporting period the Committee accordingly reviewed the following:

social indicators

employment equity and skills development

Primeserv promotes equal opportunities and fair treatment in employment and does not tolerate discrimination against any employee. Primeserv employees may exercise their rights in terms of the Basic Conditions of Employment Act without fear of discrimination. All new employees are required to attend a formal induction programme where they are made aware of the various Group policies and procedures, as well as rights, duties and obligations. The Group's disciplinary practices are conducted in accordance with its Disciplinary Code and Procedures, which are in line with King III. A Grievance Procedure is also in place to address grievances from employees.

The Group, including the holding company and its subsidiaries, has submitted its Employment Equity and Workplace Skills Development Plans to the relevant authorities, and continues to strive to exceed the required targets. The Board subscribes to the principles of employment equity and recognises the value of 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, whilst also placing a concerted focus on increasing representation of HDIs and women across the organisation, thus reinforcing its diversity and meeting demographic representational requirements.

The Board monitors the Group's compliance with the Skills Development Act and ensures that the required plans and reports have been submitted to the relevant authorities. Primeserv is committed to the growth of its own people and recognises the need to continually improve the productivity and performance of its operating units through training and development programmes.

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

When recruiting, Primeserv ensures that, wherever possible, vacancies are filled from within the Group.

Primeserv is committed to the development of all employees and provides equal opportunities in the workplace and provides skills development opportunities for employees to build on existing strengths and employee potential. The Group aligns Employment Equity targets with Skills Development programmes and objectives. Employees from designated groups have personal development plans in place to ensure that training, development and study opportunities are being made available to further promote equity in the workforce. Primeserv offers a mentoring programme comprising a developmentally-oriented relationship between a senior and junior colleague. Mentoring and coaching

governance, risk and remuneration (continued)

becomes part of the evaluation for promotion and assists in goal setting, planning and identifying of designated employees to be fast tracked.

Details of Primeserv's employee profile can be viewed on the Group's website: www.primeserv.co.za.

preferential procurement

Primeserv has a B-BBEE procurement programme in place aimed at increasing 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 will ensure that the ripple effect of affirmative procurement is realised throughout the economy.

corporate social investment

The Group has intensified its efforts and increased resources to create employment and upskilling opportunities for the youth and poorly skilled employees. Primeserv is committed to driving these key national imperatives. The Group's operational activities are aligned to benefits linked to youth employment, learnerships and skills development grants.

Primeserv's corporate social responsibility and investment strategy is focused on sustainable upliftment of the disadvantaged sectors of our community. The Group's primary CSI focus is on youth development as Primeserv sees them as particularly vulnerable, yet critical to the socio-economic future of South Africa. Primeserv continues to provide financial, professional and skills transfer support to the Siyakhula Trust which focuses on developing and advancing leadership skills and capability among the rural youth. Primeserv also supports various youth-based initiatives particularly alongside the communities within which it works. During the past year attention was placed on upgrading the facilities and learning materials at the Thusanani Crèche, whilst also providing ongoing support for disadvantaged children residing in informal settlements.

The Group aims to support communities in areas where we provide services. In so doing, the benefit lies not only in providing employment opportunities to potential breadwinners, but also in the upliftment of our employees' communities. Full strategic planning and financial support is being dedicated to implementing a community-focused pilot project which can then be rolled out in selected areas.

The provision of CSI initiatives is considered a privilege by the Group and the professional planning and implementation of these initiatives remains a core Primeserv imperative.

ethical indicators

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

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

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

safety, health, environment and quality indicators

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

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

environmental Indicators

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

Letepe M Maisela
Social and Ethics Committee Chairman

annual financial statements 2017

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annual financial statements

for the year ended 31 March 2017

directors' approval and responsibility statement

The Directors are responsible for the preparation, integrity and fair presentation of the Company and the Group annual financial statements and other financial information included in this report. The accompanying annual financial statements have been prepared in conformity with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act of South Africa and the JSE Limited Listings Requirements. Applicable accounting assumptions have been used while prudent judgements and estimates have been made.

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

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

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

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

The annual financial statements were approved by the Board of Directors on 28 September 2017, and signed on its behalf by:

CS Ntshingila
Independent Non-Executive Chairperson

M Abel
Chief Executive Officer

R Sack
Financial Director

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
Mazars
Registered Auditors

Preparer
Raphael Sack
Financial Director

Published
29 September 2017

statement of compliance by the company secretary

For the year ended 31 March 2017 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 PROPRIETARY LIMITED (REPRESENTED BY M JANSE VAN RENSBURG)
Company Secretary

Johannesburg
28 September 2017

audit, governance and **risk** committee report

for the year ended 31 March 2017

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

MEMBERSHIP

The Committee was elected by shareholders on 18 November 2016 to hold office until the conclusion of the Annual General Meeting to be held on 17 November 2017. The Committee is chaired by an independent non-executive director, DL Rose, with its other members being JM Judin (independent non-executive director) and CS Ntshingila (independent non-executive director).

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

Shareholder approval of the appointment of the members of the Committee will be sought at the Annual General Meeting to be held on 17 November 2017. The members proposed for the Committee are DL Rose, JM Judin and CS Ntshingila, all of whom are independent non-executive directors with the required skills and expertise, as outlined in the King III Report on Corporate Governance.

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

EXTERNAL AUDIT

The appointment of Mazars as auditors of the Group will be recommended by the Committee to the shareholders for approval at the Annual General Meeting on 17 November 2017. The Committee has satisfied itself through enquiry of the independence of the firm. Munesh Patel, a registered independent auditor, was nominated as the designated partner. The Committee confirms that the firm is accredited by the JSE.

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 2017 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.

CHANGE OF AUDITORS

The Board approved a recommendation of the Committee to change the auditors of the Group to Mazars. Amongst the factors that informed this decision was that Mazars has superior BEE credentials and was able to perform the audit at a reduced fee.

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, cyber-related risk, credit and market risk and governance and compliance risk. This assists the Board in its assessment and management of risk. An internal audit function is intended to be established during the new financial year that will report to the Committee on any areas of concern identified. The Committee will approve the internal audit plan and will exercise functional control of the process.

FINANCIAL RISK MANAGEMENT

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

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

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

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

OPERATIONAL RISK MANAGEMENT

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

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

audit, governance and **risk** committee report

(continued)

for the year ended 31 March 2017

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

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

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

ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Committee has reviewed the accounting policies and the 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. Issues involving significant judgement are set out in the summary of accounting policies.

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

The Committee fulfilled its mandate and recommended the Integrated Report for the year ended 31 March 2017 for approval to the Board. The Board approved the financial statements on 28 September 2017 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, 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
Audit, Governance and Risk Committee Chairman

directors' report

for the year ended 31 March 2017

NATURE OF BUSINESS

Primeserv Group Limited is an investment holding company whose trading activities are conducted through its subsidiary companies and B-BBEE companies, housed in two main operating segments supported by a Shared Services segment. The Group's subsidiaries own and operate Human Capital management consulting and services businesses, skills training centres, corporate and vocational training operations, recruitment and flexible staffing services, functional outsourcing services, as well as payroll services and HR and IR services, situated throughout South Africa.

FINANCIAL RESULTS

The financial results of the Company and of the Group are set out on pages 42 to 73 of this report and in our opinion requires no further comment. A review of the Group's results and performance of the business units is contained in the Chief Executive Officer's Report on pages 18 and 19.

SHARE CAPITAL

Details of the authorised or issued share capital of the Company are set out in note 15 – Ordinary Share Capital.

EMPLOYEE SHARE INCENTIVE SCHEME

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

	2017 R'000	2016 R'000
Shares held by share trust	**26 189 326**	26 189 326
Options granted to employees	**–**	–
Surplus	**26 189 326**	26 189 326

The unallocated shares, together with the purchased shares, are intended to be allocated or cancelled in the 2018 financial year. The impact of IFRS 2 – Share-Based Payments, and section 8C of the Income Tax Act No 58 of 1962 has been evaluated in order to determine the optimum use of the shares held as an incentive mechanism. The Directors use the scheme to retain key personnel and for the purpose of providing opportunities to employees to participate in the Group's growth and success.

DIVIDENDS

A gross dividend of 2.00 cents per share was declared on 23 June 2017 (2016: 1.35 cents per share). The dividends may be subject to dividends withholding tax, where applicable.

DIRECTORATE

CS Ntshingila, M Abel, JM Judin, LM Maisela, DL Rose and R Sack 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, LM Maisela and DL Rose retire as Directors at the forthcoming Annual General Meeting, and, being eligible, offer themselves for re-election. DC Seaton resigned as a director on 21 April 2016.

COMPANY SECRETARY

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

SUBSIDIARY COMPANIES

Details of the Company's interest in its subsidiaries are set out on page 70.

DIRECTORS' INTERESTS

As at 31 March 2017, the aggregate direct and indirect beneficial interests of directors and prescribed officers in the fully paid issued share capital of the Company were:

	2017 Beneficial	2016 Beneficial
Shares held by:		
EXECUTIVE DIRECTORS		
M Abel	**21 547 843**	21 547 843
R Sack	**509 500**	705 000
DC Seaton*	**–**	1 117 500
NON-EXECUTIVE DIRECTORS		
JM Judin	**950 000**	950 000
LM Maisela	**55 000**	–
DL Rose	**70 000**	70 000
CS Ntshingila	**50 000**	50 000
Total – Directors	**23 182 343**	24 440 343

* Resigned 21 April 2016

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 2017 and the date of this report.

directors' report (continued)

for the year ended 31 March 2017

EQUIPMENT AND VEHICLES

The Group acquired equipment and vehicles at a cost of R1.5 million (2016: R1.4 million) (Company R0.04 million (2016: RNil)) during the financial year under review. No major changes in the nature of the equipment and vehicles occurred during this year.

GOING CONCERN ASSESSMENT

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

SUBSEQUENT EVENTS

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

DISCLOSURES

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

independent auditor's report

To the Shareholders of Primeserv Group Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Primeserv Group Limited (the group) set out on pages 42 to 73, which comprise the statements of financial position as at 31 March 2017, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2017, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for *Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER</th></tr>
<tr><td>Valuation of Goodwill (Note 9)</td><td></td></tr>
<tr><td>Goodwill comprises 12% of total assets of the group as recognised in the consolidated statement of financial position.

As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. There are a number of key areas of estimation and judgement made in determining inputs into these models.</td><td>Our audit procedures focused on the key assumptions, estimates and judgements made by the directors in their goodwill impairment test.

This included a critical assessment (with the assistance of our internal valuation experts) of whether the model used by management to calculate the value in use of all the individual CGU's complied with the requirements of IAS 36 Impairment of Assets.

Our audit approach included, among other procedures:
• Assessing assumptions used to determine the discount rates and recalculating these rates;
• Analysing the projected cash flows used in models to determine the reasonability and attainability given the current macro-economic climate and expected future performance of cash-generating units;
• Subjecting key assumptions to sensitivity analysis;
• Assessing the reasonability of forecast assumptions through:
– Comparing actual results for 2017 to budgets;
– Discussing with management the reasons for the deviations in these results;
– Corroborating reasons obtained from management above to supporting documentation;
– Assessing and concluding on adequacy of budgeting techniques; and
• Reviewing the adequacy of disclosure as required in terms of IAS 36 Impairment of Assets.</td></tr>
<tr><td>Based on the above, the impairment test of goodwill is considered to be a key audit matter.</td><td>We concluded that the assumptions, estimates and judgements made by the directors were consistent with historical performance. Furthermore, the expected future performance and the discount rates used were appropriate considering the circumstances.

We therefore consider the impairment assessment made by management in respect of goodwill to be appropriate.</td></tr>
</table>

independent auditor's report (continued)

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit, Governance and Risk Committee Report, the Statement of Compliance by the Company Secretary as required by the Companies Act of South Africa, and the Integrated Report, which we obtained prior to the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

Mazars.

Mazars
Registered Auditors

Partner: **Munesh Patel**
Registered Auditor

Johannesburg
28 September 2017

statements of **comprehensive income**

for the year ended 31 March 2017

		Group		Company	
	Notes	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Revenue	1	**642 122**	572 388	**13 056**	23 925
Cost of sales		**(540 905)**	(472 342)	**–**	–
Gross profit		**101 217**	100 046	**13 056**	23 925
Other income		**1 139**	4 128	**3 052**	–
Operating expenses		**(80 749)**	(89 690)	**(7 889)**	(70 050)
Operating profit	2	**21 607**	14 484	**8 219**	(46 125)
Interest received	3	**291**	454	**178**	454
Interest paid	4	**(2 385)**	(3 819)	**(4)**	(10)
Profit before taxation		**19 513**	11 119	**8 393**	(45 681)
Taxation	5	**(2 770)**	105	**(1 485)**	(737)
Profit and total comprehensive income		**16 743**	11 224	**6 908**	(46 418)
Profit and total comprehensive income attributable to:					
Ordinary shareholders of the Company		**16 008**	12 860	**–**	–
Non-controlling shareholders' interest		**735**	(1 636)	**–**	–
Profit and total comprehensive income		**16 743**	11 224	**–**	–
Earnings per share and diluted earnings per share (cents)	6	**17.77**	13.86	**–**	–

statements of **financial position**

as at 31 March 2017

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
ASSETS					
Non-current assets		**43 292**	44 619	**167 412**	166 249
Equipment and vehicles	7	**3 513**	3 693	**196**	251
Investment property	8	**7 045**	7 645	**–**	–
Goodwill	9	**21 178**	18 170	**–**	–
Intangible assets	10	**–**	882	**–**	–
Investment in subsidiaries	11	**–**	–	**99 056**	99 056
Preference dividend receivable	11	**–**	–	**57 481**	54 428
Advance to the share trust	12	**–**	–	**10 625**	10 974
Deferred tax asset	13	**11 556**	14 229	**54**	1 540
Current assets		**132 781**	97 398	**69 521**	68 110
Inventories		**177**	103	**–**	–
Trade and other receivables	14	**129 907**	88 570	**11 644**	3 271
Loans to group companies*		**–**	–	**56 251**	56 946
Taxation receivable		**634**	637	**–**	–
Cash and cash equivalents		**2 063**	8 088	**1 626**	7 893
Total assets		**176 073**	142 017	**236 933**	234 359
EQUITY AND LIABILITIES					
Capital and reserves		**106 170**	90 643	**152 640**	147 452
Ordinary share capital and premium	15	**2 672**	2 672	**2 672**	2 672
Retained earnings		**128 033**	113 241	**(7 796)**	(12 984)
Non-distributable reserves	16	**–**	–	**159 812**	159 812
Treasury shares	17	**(16 279)**	(16 279)	**(2 048)**	(2 048)
Equity attributable to equity holders of the Company		**114 426**	99 634	**152 640**	147 452
Non-controlling interests		**(8 256)**	(8 991)	**–**	–
Current liabilities		**69 903**	51 374	**84 293**	86 907
Trade and other payables	18	**31 810**	19 388	**4 416**	1 062
Loans from group companies*		**–**	–	**79 877**	85 845
Bank borrowings	19	**38 093**	31 986	**–**	–
Total equity and liabilities		**176 073**	142 017	**236 933**	234 359

* Refer pages 70 and 71

statements of **changes in equity**

for the year ended 31 March 2017

	Share capital R'000	Share premium R'000	Retained earnings R'000	Treasury shares R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
Group							
Opening balances at 1 April 2015	1 321	1 351	101 308	(14 748)	89 232	(7 355)	81 877
Total comprehensive income – profit	–	–	12 860	–	12 860	(1 636)	11 224
Dividends paid (1.00 cents per share)	–	–	(927)	–	(927)	–	(927)
Acquisitions by share trust	–	–	–	(1 531)	(1 531)	–	(1 531)
Balances at 1 April 2016	1 321	1 351	113 241	(16 279)	99 634	(8 991)	90 643
Total comprehensive income – profit	–	–	16 008	–	16 008	735	16 743
Dividends paid (1.35 cents per share)	–	–	(1 216)	–	(1 216)	–	(1 216)
Closing balances at 31 March 2017	**1 321**	**1 351**	**128 033**	**(16 279)**	**114 426**	**(8 256)**	**106 170**
Notes	15	15		17			

	Share capital R'000	Share premium R'000	Retained earnings R'000	Treasury shares R'000	Non-distrib-utable reserves R'000	Non-controlling interest R'000	Total equity R'000
Company							
Opening balances at 1 April 2015	1 321	1 351	34 708	(2 048)	159 812	–	195 144
Attributable earnings for the year	–	–	(46 418)	–	–	–	(46 418)
Dividends paid (1.00 cents per share)	–	–	(1 274)	–	–	–	(1 274)
Balances at 1 April 2016	1 321	1 351	(12 984)	(2 048)	159 812	–	147 452
Attributable earnings for the year	–	–	6 908	–	–	–	6 908
Dividends paid (1.35 cents per share)	–	–	(1 720)	–	–	–	(1 720)
Closing balances at 31 March 2017	**1 321**	**1 351**	**(7 796)**	**(2 048)**	**159 812**	**–**	**152 640**
Notes	15	15		17	16		

statements of **cash flows**

for the year ended 31 March 2017

		Group		Company	
	Notes	**2017 R'000**	**2016 R'000**	**2017 R'000**	**2016 R'000**
Cash flows (utilised in)/generated from operating activities		**(6 459)**	20 982	**419**	4 941
Profit before taxation		**19 513**	11 119	**8 393**	(45 681)
Adjustments		**5 111**	8 118	**(3 129)**	47 562
– interest received		**(291)**	(454)	**(178)**	(454)
– interest paid	4	**2 385**	3 819	**4**	10
– depreciation, amortisation and impairments		**3 017**	1 705	**98**	80
– impairment of investments and loans		**–**	–	**–**	55 340
– preference dividends accrued		**–**	–	**(3 053)**	(7 414)
– impairments to long-term receivables		**–**	3 048	**–**	–
Operating cash flows before working capital changes		**24 624**	19 237	**5 264**	1 881
Working capital changes		**(28 989)**	6 128	**(5 019)**	3 088
– (increase)/decrease in inventories		**(74)**	15	**–**	–
– (increase)/decrease in trade and other receivables		**(41 337)**	2 484	**(8 373)**	3 266
– increase/(decrease) in trade and other payables		**12 422**	3 629	**3 354**	(178)
Cash (utilised in)/generated from operations		**(4 365)**	25 365	**245**	4 969
Interest received		**291**	454	**178**	454
Interest paid	4	**(2 385)**	(3 819)	**(4)**	(10)
Taxation paid	A	**–**	(1 018)	**–**	(472)
Cash flows utilised in investing activities		**(4 457)**	(1 386)	**1 002**	(4 815)
Purchase of equipment and vehicles to maintain operations		**(1 449)**	(1 386)	**(42)**	–
Proceeds on scrapping of equipment and vehicles		**–**	–	**–**	7
Acquisition of contracts	9	**(3 008)**	–	**–**	–
Advances to/(from) share trust		**–**	–	**349**	(1 728)
Decrease/(increase) in group company loans receivable		**–**	–	**695**	(3 094)
Cash flows (utilised in)/generated from financing activities		**(1 216)**	(2 600)	**(7 688)**	4 751
(Decrease) in non-current financial liabilities		**–**	(110)	**–**	
(Decrease) in current financial liabilities		**–**	(32)	**–**	
(Decrease)/increase in group company loans payable		**–**	–	**(5 968)**	6 025
Dividends paid		**(1 216)**	(927)	**(1 720)**	(1 274)
Repurchase of securities		**–**	(1 531)	**–**	
Net (decrease)/increase in cash and cash equivalents		**(12 132)**	16 996	**(6 267)**	4 877
Cash and cash equivalents at beginning of year		**(23 898)**	(40 894)	**7 893**	3 016
Cash and cash equivalents at end of year	B	**(36 030)**	(23 898)	**1 626**	7 893

notes to the **statements of cash flows**

for the year ended 31 March 2017

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
A TAXATION PAID				
Amount refundable at beginning of year	**637**	(289)	**–**	(414)
Amount charged to the statement of comprehensive income	**–**	(92)	**–**	(58)
Amount refundable at end of year	**(637)**	(637)	**–**	–
	–	(1 018)	**–**	(472)
B CASH AT BANK AND BORROWINGS				
Cash at bank	**2 063**	8 088	**1 626**	7 893
Bank borrowings	**(38 093)**	(31 986)	**–**	–
	(36 030)	(23 898)	**1 626**	7 893

summary of **accounting policies**

for the year ended 31 March 2017

PRINCIPAL ACCOUNTING POLICIES

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

BASIS OF PREPARATION

These consolidated annual financial statements are prepared in accordance with, and comply with the JSE Listings Requirements, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the Financial Reporting Guides as issued by SAICA's Accounting Practices Committee and the South African Companies Act of 2008. The consolidated annual financial statements are prepared in accordance with the going concern principle on the historical cost basis, except for the measurement of certain financial instruments and investment properties at fair value.

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

JUDGEMENTS AND ESTIMATES MADE BY MANAGEMENT

Preparation of the annual 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 compl*ex* or subjective judgements or estimates 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 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:

Average growth rate	9% (2016 : 5%)
Discount rate	20% (2016 : 18.6%)

A forecast period of 10 years was used to assess the carrying amount.

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

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, the VAT component 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.

summary of **accounting policies** (continued)

for the year ended 31 March 2017

PRINCIPLES OF CONSOLIDATION

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

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 the 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 amounts of these investments are 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. The Company does not hold an equity interest in the trust.

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

REVENUE

Group revenue consists of sales to customers and fair value adjustments pertaining to notional interest from services rendered and is stated net of value added taxation. Revenue is derived from the supply of temporary employment services, permanent placement fees and consulting and training fees. Fees received in advance are recognised over the period of the course of project and take into consideration the stage of completion. 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 (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the period of the lease.

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

TAXATION

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

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

EMPLOYEE BENEFITS

Short-term employee benefits

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

Retirement benefits

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

BORROWING COSTS

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

PROPERTY, EQUIPMENT AND VEHICLES

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

Property, 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.

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

The gain or loss arising from the derecognition of an item of property, 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 property, equipment and vehicles is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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.

GOODWILL

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

summary of **accounting policies** (continued)

for the year ended 31 March 2017

FINANCIAL INSTRUMENTS

Classification

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

- Loans and receivables
- Financial liabilities 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 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 at fair value less transaction costs.

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

Subsequent measurement

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

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

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 liabilities are derecognised when the liability is settled.

Financial Assets

Loans and receivables

Trade and other receivables are classified as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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. In the case of short-term receivables, the impact of discounting is not material and cost approximates amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are subject to an insignificant risk of changes in value. These are initially recorded at fair value plus any transaction costs and subsequently measured at amortised cost.

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 and are subsequently measured 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.

DEFERRED TAXATION

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

SHARE CAPITAL

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

TREASURY SHARES

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

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.

SEGMENT REPORTING

The Group is primarily a Human Capital services business and is organised into two main operating segments, namely Staffing and Recruitment Services, and Training and Consulting Services. A third segment, Shared 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.

summary of **accounting policies** (continued)

for the year ended 31 March 2017

SOURCES OF ESTIMATION UNCERTAINTY

Other than the fair valuation of investment property, 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.

NEW STANDARDS AND INTERPRETATIONS

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

- **IFRS 9, Financial Instruments:** New standard which replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard comprises guidance on classification and measurement, impairment considerations, hedge accounting and derecognition (effective 1 January 2018). The standard becomes mandatory for the company's 2019 financial statements. Management is currently assessing the impact of this new statement on the classification and measurement of the Company's financial instruments but does not expect the impact to be material.
- **IFRS 15, Revenue from Contracts from Customers:** New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (effective 1 January 2018). The standard becomes mandatory for the Company's 2019 financial statements. Management is currently assessing the impact of this new statement on the Company's revenue recognition policies.
- **IFRS 16, Leases:** New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with the term of more than twelve months, unless the underlying asset is of low value (effective 1 January 2019). The standard becomes mandatory for the Company's 2020 financial statements. Management anticipates that this will require a restatement of the operating leases so as to recognise the right to use the assets together with the related lease liability.

At the date of authorisation of these annual financial statements, the following new standards, amendments and interpretations were in issue, effective and were applied by the Company:

- **IAS 1, Presentation of Financial Statements:** Disclosure initiative designed to encourage application of professional judgement in determining what information to disclose in the financial statements (effective 1 January 2016).

notes to the **annual financial statements**

for the year ended 31 March 2017

		Group		Company	
		2017 R'000	**2016 R'000**	**2017 R'000**	**2016 R'000**
1.	**REVENUE**				
	Revenue comprises:				
	Services rendered	**630 774**	565 957	**16 108**	23 925
	Fair value adjustment to revenue	**11 348**	6 431	**–**	–
		642 122	572 388	**16 108**	23 925
2.	**OPERATING PROFIT**				
	Operating profit is stated after taking into account the following:				
	Depreciation and amortisation	**2 274**	1 705	**97**	80
	Operating lease rentals	**6 668**	6 646	**–**	46
	– Equipment and vehicles	**2 528**	2 480	**–**	46
	– Premises	**4 140**	4 166	**–**	–
	Loan impairments	**–**	3 048	**–**	–
	Employee costs and benefits	**48 464**	51 683	**–**	8 851
	Staff costs	**45 772**	48 648	**–**	8 284
	Retirement costs	**2 692**	3 035	**–**	567
3.	**INTEREST RECEIVED**				
	Interest received – cash and cash equivalents	**291**	454	**178**	454
		291	454	**178**	454
4.	**INTEREST PAID**				
	Bank borrowings	**2 385**	3 804	**4**	10
	Instalment sales	**–**	15	**–**	–
		2 385	3 819	**4**	10

notes to the **annual financial statements**

(continued)

for the year ended 31 March 2017

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
5. TAXATION				
SA normal taxation				
– current	**–**	(92)	**–**	–
Deferred tax				
– current	**(2 673)**	197	**(1 485)**	(679)
Other	**(97)**	–	**–**	(58)
	(2 770)	105	**(1 485)**	(737)

Tax rate reconciliation	%	%	%	%
Statutory tax rate	**28.0**	28.0	**28.0**	28.0
Learnership allowances	**–**	(0.1)	**–**	–
Employment tax incentives	**(17.4)**	(30.0)	**–**	–
Non-taxable income – dividends	**–**	–	**–**	(20.6)
Disallowable expenses	**3.6**	1.2	**(0.2)**	(5.8)
Effective tax rate	**14.2**	(0.9)	**27.8**	1.6

The estimated tax losses available for set-off against future taxable income are R50 711 000 (2016: R64 036 000). Company: R39 000 (2016: R5 153 000).

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year as calculated by excluding shares purchased by the Company, incentive shares and shares held as treasury shares. There are no potentially dilutive shares.

	2017 R'000	2016 R'000
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	**(41 999)**	(41 999)
Number of shares in issue at the end of the year (net of treasury shares)	**90 064**	90 064
Effect of weighting – treasury shares purchased	**–**	2 723
Weighted average shares at the end of the year	**90 064**	92 787
Attributable earnings (R'000)	**16 008**	12 860
Earnings and diluted earnings per share (cents)	**17.77**	13.86
Headline earnings per share		
Attributable earnings (R '000)	**16 008**	12 860
Headline earnings adjustments (net of tax effect) (R '000)		
– Loss on disposal of fixed assets	**171**	–
– Impairment of investment in property	**466**	–
– Impairment of intangible assets	**234**	–
Attributable headline earnings	**16 879**	12 860
Headline earnings and diluted headline earnings per share (cents)	**18.74**	13.86

7. EQUIPMENT AND VEHICLES

	Computer Equipment R'000	Motor vehicles R'000	Furniture, fittings and equipment R'000	Total R'000
Group				
2017				
Cost	**3 898**	**294**	**5 343**	**9 535**
Accumulated depreciation and impairment	**(2 832)**	**(118)**	**(2 892)**	**(5 842)**
Net book value at beginning of year	**1 066**	**176**	**2 451**	**3 693**
Additions	**655**	**159**	**635**	**1 449**
Disposals at book value	**–**	**–**	**(237)**	**(237)**
Depreciation	**(576)**	**(89)**	**(727)**	**(1 392)**
Net book value at end of year	**1 145**	**246**	**2 122**	**3 513**
Cost	**4 289**	**453**	**5 612**	**10 354**
Accumulated depreciation and impairment	**(3 144)**	**(207)**	**(3 490)**	**(6 841)**
Net book value at end of year	**1 145**	**246**	**2 122**	**3 513**
2016				
Cost	4 212	588	5 123	9 923
Accumulated depreciation and impairment	(3 487)	(350)	(2 552)	(6 389)
Net book value at beginning of year	725	238	2 571	3 534
Additions	762	–	624	1 386
Depreciation	(421)	(62)	(744)	(1 227)
Net book value at end of year	1 066	176	2 451	3 693
Cost	3 898	294	5 343	9 535
Accumulated depreciation and impairment	(2 832)	(118)	(2 892)	(5 842)
Net book value at end of year	1 066	176	2 451	3 693

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	Computer Equipment R'000	Motor vehicles R'000	Furniture, fittings and equipment R'000	Total R'000
7. EQUIPMENT AND VEHICLES (continued)				
Company				
2017				
Cost	**563**	**–**	**537**	**1 100**
Accumulated depreciation and impairment	**(494)**	**–**	**(355)**	**(849)**
Net book value at beginning of year	**69**	**–**	**182**	**251**
Additions	**42**	**–**	**–**	**42**
Depreciation	**(59)**	**–**	**(38)**	**(97)**
Net book value at end of year	**52**	**–**	**144**	**196**
Cost	**605**	**–**	**537**	**1 142**
Accumulated depreciation and impairment	**(553)**	**–**	**(393)**	**(946)**
Net book value at end of year	**52**	**–**	**144**	**196**
2016				
Cost	563	–	537	1 100
Accumulated depreciation and impairment	(452)	–	(309)	(761)
Net book value at beginning of year	111	–	228	339
Additions	–	–	–	–
Scrapped	–	–	(7)	(7)
Depreciation	(42)	–	(39)	(81)
Net book value at end of year	69	–	182	251
Cost	563	–	537	1 100
Accumulated depreciation and impairment	(494)	–	(355)	(849)
Net book value at end of year	69	–	182	251

All disposals were in the normal course of operations.

	2017 R'000	2016 R'000

8. INVESTMENT PROPERTY

	2017 R'000	2016 R'000
Opening value	**7 645**	7 645
Fair value adjustment	**(600)**	–
Properties at fair value	**7 045**	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.

The Directors assessed the values of the properties at year end taking into consideration the values of other properties and developments within the estate, as well as the general malaise in the non-primary residence property market.

Income of R40 000 (2016: R34 000) was earned from the investment properties during the year.

Operating costs incurred primarily relate to the payment of levies, power and water charges and totalled R124 000 (2016: R95 000).

9. GOODWILL

Goodwill has been allocated for impairment testing purposes to the Group's operating segments, which represents the lowest level of assets for which there are separate cash flows, which are not larger than the Group's operating segments reported in note 27, as follows:

	2017 R'000	2016 R'000
Staffing and Recruitment Services	**18 020**	15 012
Training and Consulting Services	**3 158**	3 158
Total goodwill excluding impairment	**21 178**	18 170

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

	2017 R'000	2016 R'000
Goodwill is attributable to the following Cash Generating Units:		
Bathusi Staffing Services Proprietary Limited	**4 877**	4 877
Primeserv Corporate Solutions Proprietary Limited	**3 158**	3 158
Primeserv Denverdraft Proprietary Limited	**5 738**	2 730
Primeserv Staff Dynamix Proprietary Limited	**7 405**	7 405
	21 178	18 170

During the latter half of the year contracts were taken over from Cozens group that were considered to be of future benefit to the Group. Liabilities were assumed that represented the purchase price. No physical assets were acquired. No intangible asset was recognised due to uncertainty relating to the continuation of each specific contract.

Impairment

In accordance with accounting standards, the Group performs an annual test for impairment of its cash generating units to which goodwill is allocated. The recoverable amount of the cash generating units has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on the financial budget approved by management covering the next financial year and a discount rate of 20% (2016: 18.6%). Cash flows beyond the next year have been extrapolated for a further 10 (2016: 14) years, at 10% (2016: 5%) growth in years 2 to 5 and 7% (2016: 0%) thereafter, which the Directors believe is justified as it is a reasonable minimum period to expect the Group's operations to continue.

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

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

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9. GOODWILL (continued)

	2017 R'000	2016 R'000
The calculated recoverable amounts are stated below:		
Bathusi Staffing Services Proprietary Limited	**13 183**	9 126
Primeserv Corporate Solutions Proprietary Limited	**25 067**	11 884
Primeserv Denverdraft Proprietary Limited	**133 174**	11 446
Primeserv Staff Dynamix Proprietary Limited	**52 347**	35 410
	223 771	67 866

10. INTANGIBLE ASSETS

	Trademarks R'000	Premiums paid on acquisition of contract R'000	Total R'000
Group			
2017			
Cost	**810**	**3 867**	**4 677**
Accumulated amortisation and impairments	**(576)**	**(3 219)**	**(3 795)**
Net book value at beginning of year	**234**	**648**	**882**
Amortisation and impairments	**(234)**	**(648)**	**(882)**
Net book value at end of year	**–**	**–**	**–**
Accumulated amortisation and impairments at year-end	**(810)**	**(3 867)**	**(4 677)**
Group			
2016			
Cost	810	3 867	4 677
Accumulated amortisation and impairments	(576)	(2 741)	(3 317)
Net book value at beginning of year	234	1 126	1 360
Amortisation and impairments	–	(478)	(478)
Net book value at end of year	234	648	882
Accumulated amortisation and impairments at year-end	(576)	(3 219)	(3 795)

The Directors noted that the trademarks carried on the statement of financial position have ceased to be utilised in the production of income and have, accordingly, fully impaired the balance.

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 RNil (2016: R648 000).

	Group		Company	
	2017 R'000	**2016 R'000**	**2017 R'000**	**2016 R'000**

11. NET INVESTMENT IN SUBSIDIARIES AND ACCRUED DIVIDENDS

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Ordinary shares at cost	**–**	–	**1**	1
	–	–	**1**	1
Class A preference shares				
Cost	**–**	–	**79 800**	79 800
Impairment	**–**	–	**(3 650)**	(3 650)
Net book value	**–**	–	**76 150**	76 150
Class B preference shares				
Cost	**–**	–	**83 310**	83 310
Impairment	**–**	–	**(60 405)**	(60 405)
Net book value	**–**	–	**22 905**	22 905
Total investment in subsidiaries	**–**	–	**99 056**	99 056
Preference dividend accrued	**–**	–	**57 481**	54 428
Net investment in subsidiaries	**–**	–	**156 537**	153 484

12. ADVANCE TO THE SHARE TRUST

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Loan	**–**	–	**10 625**	10 974

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 26 189 326 (2016: 26 189 326) 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.

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	Group		Company	
	2017 R'000	**2016 R'000**	**2017 R'000**	**2016 R'000**
13. DEFERRED TAX ASSET				
Computed tax losses	**9 568**	12 768	**11**	1 443
Payroll payables, accruals and allowances for impairments	**3 197**	1 898	**43**	97
Prepayments	**(509)**	(151)	**–**	–
Capital gains tax on fair value adjustments	**(286)**	(286)	**–**	–
Work in progress	**(414)**	–	**–**	–
	11 556	14 229	**54**	1 540
Reconciliation between deferred tax opening and closing balance				
Deferred tax opening balance	**14 229**	14 031	**1 540**	2 219
Computed tax losses	**(3 200)**	1 247	**(2 405)**	286
Payroll payables, accruals and allowances for impairments	**1 299**	(1 287)	**918**	(965)
Prepayments	**(358)**	84	**1**	–
Work in progress	**(414)**	154	**–**	–
Deferred tax at end of year	**11 556**	14 229	**54**	1 540

Tax losses of R34.2 million (2016: R45.6 million) have been recognised on the basis of future sustainable profits based on an extrapolation of budgets prepared by management as well as the application of discounted cash flow with assumptions made for future growth. Company R39 000 (2016: R5 153 000).

	Group		Company	
	2017 R'000	**2016 R'000**	**2017 R'000**	**2016 R'000**
14. TRADE AND OTHER RECEIVABLES				
Trade receivables	**125 651**	79 994	**–**	287
	4 256	8 576	**11 644**	2 984
Other receivables	**2 439**	7 447	**11 644**	2 980
Prepayments	**1 817**	1 129	**–**	4
	129 907	88 570	**11 644**	3 271

Trade receivables are classified as financial instruments while other receivables and prepayments are classified as non-financial instruments.

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

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 2017, trade receivables of R21 468 000 (2016: R10 096 000) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

14. TRADE AND OTHER RECEIVABLES (continued)

The ageing of trade receivables past due, but not impaired, is as follows:

	Group		Company	
	2017 R'000	**2016 R'000**	**2017 R'000**	**2016 R'000**
One month overdue	**7 972**	2 044	**–**	–
Two months overdue	**7 339**	1 023	**–**	–
Three months and more overdue	**6 157**	7 029	**–**	–
	21 468	10 096	**–**	–
Allowance for impairment (bad debt provision)				
Balance at beginning of year	**305**	3 512	**–**	5 100
Increase in allowance and impairments recognised in income statement	**1 854**	477	**–**	3 350
Application of provision against debtors	**(719)**	(3 684)	**–**	(8 450)
Balance at end of year	**1 440**	305	**–**	–

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

Trade receivables are classified as loans and receivables.

	Group		Company	
	2017 R'000	**2016 R'000**	**2017 R'000**	**2016 R'000**
15. 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 (2015: 132 062 743) ordinary shares of 1 cent each	**1 321**	1 321	**1 321**	1 321
Share premium	**1 351**	1 351	**1 351**	1 351
	2 672	2 672	**2 672**	2 672
Reconciliation of shares in issue:				
Shares in issue	**90 063 704**	90 063 704	**90 063 704**	90 063 704
Treasury shares	**41 999 039**	41 999 039	**41 999 039**	41 999 039
Total issued shares	**132 062 743**	132 062 743	**132 062 743**	132 062 743

16. NON-DISTRIBUTABLE RESERVE

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

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for the year ended 31 March 2017

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
17. TREASURY SHARES				
Comprises 41 999 039 (2016: 41 999 039) Primeserv Group Limited ordinary shares. Company: 4 626 206 (2016: 4 626 206) Primeserv Group Limited ordinary shares	**16 279**	16 279	**2 048**	2 048
	16 279	16 279	**2 048**	2 048
18. TRADE AND OTHER PAYABLES				
Trade payables	**9 123**	7 068	**4 416**	386
Payroll payables	**22 687**	12 320	**–**	676
	31 810	19 388	**4 416**	1 062

Trade payables are classified as financial instruments while payroll payables are classified as non-financial instruments.

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
19. BANK BORROWINGS				
The Group's Staffing and Recruitment Services segment is funded through an invoice discounting facility that bears interest at the prime bank overdraft rate per annum (2016: prime overdraft rate)	**38 093**	31 986	**–**	–
	38 093	31 986	**–**	–

The facilities are secured through a combination of the cession of the debtor cover policies held with Credit Guarantee Insurance Corporation of Africa Limited, 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.

The Group has a debtor finance facility of R71 million utilised by various subsidiaries. At year-end the unutilised amount was R33.0 million (2016: R39.0 million).

20. DIRECTORS' REMUNERATION

	Short-term benefits			
	For services as directors	Remuneration R'000	Bonuses R'000	Total R'000
2017				
Executive directors	**–**	**5 893**	**985**	**6 878**
M Abel	**–**	**4 214**	**620**	**4 834**
R Sack	**–**	**1 561**	**365**	**1 926**
DC Seaton*	**–**	**118**	**–**	**118**
Non-executive directors	**563**	**–**	**–**	**563**
JM Judin	**132**	**–**	**–**	**132**
LM Maisela	**102**	**–**	**–**	**102**
CS Ntshingila	**154**	**–**	**–**	**154**
DL Rose	**175**	**–**	**–**	**175**
	563	**5 893**	**985**	**7 441**
2016				
Executive directors	–	7 077	439	7 516
M Abel	–	4 226	304	4 530
R Sack	–	1 489	135	1 624
DC Seaton*	–	1 362	–	1 362
Non-executive directors	345	–	–	345
JM Judin	82	–	–	82
LM Maisela	53	–	–	53
CS Ntshingila	56	–	–	56
DL Rose	154	–	–	154
	345	7 077	439	7 861

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

* Resigned as a director on 21 April 2016

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
21. KEY MANAGEMENT REMUNERATION	**4 168**	3 648	**–**	–

22. CONTINGENT LIABILITIES

The Company and its major subsidiaries have signed surety to FirstRand Bank Limited in favour of various group companies for debtor financing and normal banking facilities granted. The net amount outstanding in the subsidiaries in respect of these facilities at year-end is R38 093 000 (2016: R31 986 000).

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23. 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), liquidity risk and credit risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risk stays within these limits.

Market risk

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

Interest rate risk

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

The Group analyses its exposure to interest rate risk on a dynamic basis using sensitivity analysis to assess the effects of changes in interest rates applied to interest-bearing borrowings and the consequent adjustments to profit and loss. Based on these analyses, which are calculated on adjustments of 50 basis points in the interest rate, being management's assessment of the reasonably possible changes in interest rates, the effect on pre-tax earnings of an increase/decrease in the rate is calculated to be a decrease/increase in earnings of R143 000 (2016: R93 000). The Group's sensitivity to interest rates has significantly increased during the current year due to the increase in borrowings at year end.

Liquidity risk

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

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

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

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

Financial liabilities – maturity analysis

Contractual undiscounted cash flows from:	One month	2 to 3 months	4 to 6 months	7 to 12 months	More than a year	Carrying amount
2017						
Trade and other payables	**9 123**	**–**	**–**	**–**	**–**	**9 123**
Bank borrowings*	**38 093**	**–**	**–**	**–**	**–**	**38 093**
	47 216	**–**	**–**	**–**	**–**	**47 216**
2016						
Trade payables	7 068	–	–	–	–	7 068
Bank borrowings*	31 986	–	–	–	–	31 986
	39 054	–	–	–	–	39 054

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

23. RISK MANAGEMENT (continued)

Credit risk

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

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

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

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

Capital Risk Management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, 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

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

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Level 1	Level 2	Level 3
2017			
Investment property	**–**	**–**	**7 045**
2016			
Investment property	–	–	7 645

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24. 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 R2.7 million (2016: R3.0 million). The Group has no obligations to fund post-retirement medical benefits.

25. RELATED PARTY TRANSACTIONS

Subsidiary companies

The subsidiary companies are identified on page 70.

Directors

The names of the Directors are listed on page 15. Refer to note 20 for details of the Directors' emoluments.

As part of the ongoing maintenance and retention of key personnel programme, fixed-term employment contracts, not longer than three years, have been entered into with 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 (2016: R126 000), R Sack for R140 000 (2016: R140 000 and DC Seaton for R140 000 (2016: R140 000). These amounts are included in Other Receivables.

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

	Group		Company	
	2017 R'000	**2016 R'000**	**2017 R'000**	**2016 R'000**
Transactions with subsidiary companies				
Management fees/cost recoveries from subsidiaries	**–**	–	**13 056**	16 481
Preference dividends from subsidiaries	**–**	–	**3 053**	7 414
Interest received from subsidiaries	**–**	–	**–**	108

26. OPERATING LEASE COMMITMENTS

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Operating lease commitments				
Future operating lease charges for premises and equipment and vehicles				
Payable within one year				
– premises	**3 215**	3 501	**–**	–
– vehicles and equipment	**1 330**	1 700	**–**	–
	4 545	5 201	**–**	–
Payable two to five years				
– premises	**8 655**	1 391	**–**	–
– vehicles and equipment	**1 691**	2 263	**–**	–
	10 346	3 654	**–**	–

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 five years and there are no contingent rentals payable. Leases for motor vehicles are for initial periods of three years and are occasionally extended beyond the initial period for further periods of up to two years.

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27. SEGMENTAL ANALYSIS – OPERATING SEGMENTS

	Staffing and Recruitment Services R'000	Training and Consulting Services R'000	Shared Services R'000	Group Consolidated R'000
2017				
Net profit/(loss) before taxation	**27 677**	**(1 383)**	**(6 781)**	**19 513**
Taxation	**(4 356)**	**538**	**1 048**	**(2 770)**
Net profit/(loss) after taxation	**23 321**	**(845)**	**(5 733)**	**16 743**
Revenue: sales to external customers	**599 388**	**31 386**	**–**	**630 774**
Revenue: deemed fair value adjustment for external customers	**10 503**	**845**	**–**	**11 348**
Revenue: inter-segment revenue	**–**	**153**	**–**	**153**
Operating profit/(loss)	**33 639**	**(1 297)**	**(10 735)**	**21 607**
Depreciation and amortisation	**(1 556)**	**(347)**	**(871)**	**(2 774)**
Interest received	**112**	**–**	**179**	**291**
Interest paid	**(2 286)**	**(86)**	**(13)**	**(2 385)**
Assets	**126 143**	**21 173**	**28 757**	**176 073**
Liabilities	**46 944**	**5 035**	**17 924**	**69 903**
Net assets	**79 199**	**16 138**	**10 833**	**106 170**
2016				
Net profit/(loss) before taxation	4 013	(209)	7 315	11 119
Taxation	138	617	(650)	105
Net profit/(loss) after taxation	4 151	408	6 665	11 224
Revenue: sales to external customers	526 664	39 293	–	565 957
Revenue: deemed fair value adjustment for external customers	5 686	745	–	6 431
Revenue: inter-segment revenue	–	99	–	99
Operating profit/(loss)	27 326	1 055	(13 897)	14 484
Depreciation and amortisation	(1 283)	(342)	(81)	(1 706)
Interest received	108	–	346	454
Interest paid	(3 819)	–	–	(3 819)
Impairment of loans	–	–	3 808	3 808
Assets	109 656	19 989	12 372	142 017
Liabilities	48 092	2 580	702	51 374
Net assets	61 564	17 409	11 670	90 643

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.

27. SEGMENTAL ANALYSIS – OPERATING SEGMENTS (continued)

The Group's operating segments are Staffing and Recruitment Services, Training and Consulting Services, and Shared Services.

Any assets or liabilities that cannot be attributed directly to a segment are allocated to Shared 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 Staffing and Recruitment Services segment provides customised staffing and recruitment services, functional outsourcing services and payroll and related services.

The Training and Consulting Services segment provides corporate and technical training services, learnerships and Human Capital management consulting services.

The Shared Services segment provides support services to the Group and its operating units.

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. 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.

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
28. FINANCIAL ASSETS BY CATEGORY				
Trade receivables	125 651	79 994	–	287
Cash and cash equivalents	2 063	8 088	1 626	7 893
Preference dividends receivable	–	–	57 481	54 428
Loans to group companies	–	–	66 876	67 920
Total	**127 714**	**88 082**	**125 983**	**130 528**
29. FINANCIAL LIABILITIES BY CATEGORY				
Trade payables	9 123	7 068	4 416	386
Loans from group companies	–	–	79 877	85 845
Bank borrowings	38 093	31 986	–	–
Total	**47 216**	**39 054**	**84 293**	**86 231**

30. EVENTS AFTER REPORTING PERIOD

A dividend of 2.00 cents per share was declared on 23 June 2017, payable to shareholders recorded in the register on 24 July 2017.

details of **subsidiary companies**

as at 31 March 2017

Subsidiaries	Country of incorporation	Ordinary Share Capital R	Portion held directly or indirectly by holding company %	Ownership portion and voting rights of non-controlling interests %	Non-controlling interests' share of current year profit/(loss) R'000
Bathusi Recruitment Proprietary Limited*	South Africa	100	49.0	51.0	–
Bathusi Staffing Services Proprietary Limited*	South Africa	100	45.0	55.0	641
Empvest Outsourcing Proprietary Limited*	South Africa	1 000	35.8	64.2	(30)
Primeserv ABC Recruitment Proprietary Limited	South Africa	100	74.2	25.8	217
Primeserv Consulting Proprietary Limited	South Africa	100	74.2	25.8	–
Primeserv Corporate Solutions Proprietary Limited	South Africa	100	74.2	25.8	(80)
Primeserv Denverdraft Proprietary Limited	South Africa	100	99.0	1.0	(13)
Primeserv Employee Solutions Proprietary Limited	South Africa	100	74.2	25.8	–
Primeserv Productivity Services Proprietary Limited	South Africa	100	100.0	–	–
Primeserv Properties 1 Proprietary Limited	South Africa	100	100.0	–	–
Primeserv Properties 2 Proprietary Limited	South Africa	100	100.0	–	–
Primeserv Properties 3 Proprietary Limited	South Africa	100	100.0	–	–
Primeserv Properties 4 Proprietary Limited	South Africa	100	100.0	–	–
Primeserv Staff Dynamix Proprietary Limited	South Africa	100	74.2	25.8	–
Primeserv Wholesale and Retail Academy Proprietary Limited	South Africa	100	100.0	–	–
Impairment provision					
					735
Amounts owing by subsidiaries					
Amounts owing to subsidiaries					

NOTES

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

The Training and Consulting businesses operate through Primeserv Corporate Solutions Proprietary Limited and Primeserv Wholesale and Retail Academy Proprietary Limited.

The Staffing and Recruitment 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 and Primeserv Consulting 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.

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 %	Amounts owing by/(to) subsidiaries 2017 R'000	Amounts owing by/(to) subsidiaries 2016 R'000
–	49					–	–
(3 908)	45					5 040	6 140
(2 309)	482					1 163	1 163
(873)	74	370	100	448	74.2	25 460	17 036
–	100					(398)	(398)
(467)	74	37	100	618	74.2	3 102	10 926
27	100					6 431	5 901
(726)	74	392	100	276	74.2	(74 598)	(80 865)
–	100					704	705
–	100					19	19
–	100					19	19
–	100					–	–
–	100					–	–
–	100					16 167	17 147
–	100					(4 625)	(4 582)
						(2 110)	(2 110)
(8 256)	1 698	799		1 342		(23 626)	(28 899)
						56 251	56 946
						(79 877)	(85 845)
						(23 626)	(28 899)

* These companies are subsidiaries of Primeserv Group Limited based on the following rationale:

The Group is considered to exercise control over a company in which it does not have a majority stake when it has power over the company and it has exposure, or right, to variable returns from its involvement with the company, and the ability to use its power over the company to affect the amount of the Group's returns.

In assessing whether the Group has power over the company, the Group considers its practical ability to direct the relevant activities of each company uninaterally. This is demonstrated by the Group's ability to appoint the company's key management personnel who have the ability to direct the relevant activities and the Group's ability to direct each company to enter into significant transactions. The Group also considers the extent to which each company depends on the Group for management, funding, financial and operational activities and critical services.

details of **subsidiary companies** (continued)

as at 31 March 2017

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

2017	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	36 870	–	85 766	35 876	175 996	–
Net operating costs and interest	(34 364)	(65)	(73 082)	(38 033)	(177 794)	(1 027)
Profit/(loss) before taxation	2 506	(65)	12 684	(2 157)	(1 798)	(1 027)
Taxation	(1 855)	–	(802)	726	503	(222)
Profit/(loss) after taxation	651	(65)	11 882	(1 431)	(1 295)	(1 249)
Statement of financial position						
Non-current assets	6 343	–	4 695	11 218	7 045	896
Current assets	13 950	2 110	154 812	15 982	97 773	224 141
Total assets	20 293	2 110	159 507	27 200	104 818	225 037
Trade and other payables and loans	(29 544)	(5 386)	(129 029)	(37 045)	(100 622)	(188 480)
Total shareholder funds	(9 251)	(3 276)	30 478	(9 845)	4 196	36 557
Cash flows						
Cash flows from operating activities	5 126	(169)	16 882	584	(20 036)	4 485
Cash flows from investing activities	(5 147)	166	(16 995)	(4)	22 860	(10 258)
Cash flows from financing activities	–	–	–		–	–

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

2016	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	54 307	194	66 766	39 823	134 254	39 678
Net operating costs and interest	(55 009)	(1 198)	(63 111)	(38 900)	(134 951)	(35 436)
Profit/(loss) before taxation	(702)	(1 004)	3 655	923	(697)	4 242
Taxation	417	(358)	826	617	198	(974)
Profit/(loss) after taxation	(285)	(1 362)	4 481	1 540	(499)	3 268
Statement of financial position						
Non-current assets	8 196	–	5 753	10 408	3 283	1 408
Current assets	13 629	1 707	77 329	11 841	34 073	127 657
Total assets	21 825	1 707	83 082	22 249	37 356	129 065
Trade and other payables and loans	(21 825)	(1 707)	(61 435)	(22 249)	(31 866)	(91 260)
Total shareholder funds	–	–	21 647	–	5 490	37 805
Cash flows						
Cash flows from operating activities	2 849	638	9 806	(186)	(1 297)	6 960
Cash flows from investing activities	5 781	–	(15 157)	(177)	(9 723)	(12 704)
Cash flows from financing activities	220	(277)	5 362	448	11 123	8 945

Restrictions

Certain Group loans have been subordinated in favour of other creditors until such time as the assets of the company, fairly valued, exceed its liabilities thereby partially restricting the ability to transfer cash or other assets between Group companies.

There are no other restrictions.

analysis of **shareholding**

as at 31 March 2017

	Number of shareholders	Number of shares held	Shareholding %
PORTFOLIO SIZE			
1 – 50 000 shares	372	1 981 849	1.5
50 001 – 500 000 shares	48	9 084 501	6.9
500 001 – 5 000 000 shares	24	46 347 735	35.1
over 5 000 000 shares	4	74 648 658	56.5
	448	132 062 743	100.0
CATEGORY			
Directors and management	18	69 190 879	52.4
Nominee companies and schemes	2	9 200	–
Individual and other corporate bodies	428	62 862 664	47.6
	448	132 062 743	100.0
INTERESTS OF 5% OR GREATER			
The Privest Group Limited Share Trust (treasury shares)		26 189 326	19.8
M Abel		21 547 843	16.3
The Boles Family Trust		16 266 000	12.3
Primeserv Productivity Services Proprietary Limited (treasury shares)		10 645 489	8.1
		74 648 658	56.5
SHAREHOLDER SPREAD			
Total non-public shareholders	18	69 190 879	52.4
Directors	6	23 182 343	17.6
Treasury shares	3	41 999 039	31.8
Other	9	4 009 497	3.0
Public shareholders	430	62 871 864	47.6
	448	132 062 743	100.0

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

The above information is unaudited.

market **statistics**

for the year ended 31 March 2017

	2017	2016
JSE LIMITED PERFORMANCE		
Year-end closing price of ordinary shares (cents)	50	40
High closing price of ordinary shares (cents)	60	75
Low closing price of ordinary shares (cents)	40	28
Volume of shares trade (millions)	9	6
Value of shares traded (R'000)	4 575	2 855
NUMBER OF SHARES IN ISSUE		
Opening balance (including treasury shares)	132 062 743	132 062 743
Closing balance (including treasury shares)	132 062 743	132 062 743
Market capitalisation at year-end (R'000)	66 031	52 825
Market capitalisation at year-end excluding treasury shares (R'000)	45 032	36 241

notice of **annual general meeting**

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 OF ANNUAL GENERAL MEETING

Notice is hereby given, in terms of section 62(1) of the Companies Act, 71 of 2008 (as amended) ("the Act"), that the Annual General Meeting of the shareholders of Primeserv Group Limited ("Primeserv"/"the Company") will be held at Johannesburg at 09:30 on Friday, 17 November 2017 to (1) present the Directors Report, the audited annual financial statements of Primeserv and its subsidiaries ("the Group") and the reports of the Audit and Social and Ethics Committees and to deal with such business as may lawfully be dealt with at the meeting and (2) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Act as read with the Listings Requirements of the JSE Limited ("the Listings Requirements") on which exchange, the shares in the Company are listed:

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

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 2017, have been distributed as required and will be tabled for comment by shareholders at the Annual General Meeting.

The consolidated audited annual financial statements, together with the abovementioned reports are set out on pages 42 to 73 of the Integrated Report. The complete Integrated Report of the Company is set out on the Company's website at www.primeserv.co.za/?cid=54.

REPORT FROM THE SOCIAL AND ETHICS COMMITTEE

In accordance with Companies Regulation 42(5)(c), issued in terms of the 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 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 EXTERNAL AUDITORS

1. Upon the recommendation of the current Group Audit, Governance and Risk Committee and 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, Mazars, as independent external auditors of the Company and to appoint Munesh Patel 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 2018.

   Terms of engagement and fees

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

RE-ELECTION OF DIRECTORS

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

   – LM Maisela
   – DL Rose

   2.1 To re-elect LM Maisela who retires by rotation and, being eligible, offers himself for re-election as a non-executive director in accordance with the Company's Memorandum of Incorporation.

   2.2 To re-elect DL Rose who retires by rotation and, being eligible, offers himself for re-election as an independent non-executive director in accordance with the Company's Memorandum of Incorporation.

Abridged *curriculum vitae* of each of the Directors offering themselves for re-election are set out on page 15 of the Integrated Report of the Company. The Board has evaluated the performance and contribution of each director standing for re-election and has recommended the re-election of each of the Directors. The Board has assessed the independence of all independent non-executive directors and considers each of them to be independent.

ELECTION OF AUDIT COMMITTEE

3. As required by the provisions of section 94(2) of the Act, to elect the following independent non-executive directors as 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.*

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

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

   ** Subject to his re-election as director in terms of ordinary resolution 2.2 above.*

Abridged *curriculum vitae* of each of the Directors offering themselves for election are set out on page 15 of the Integrated Report of the Company. The Board has reviewed the independence, expertise, qualifications and relevant experience of the nominated Audit Committee members and recommends that each of the nominated directors is elected.

ENDORSEMENT OF PRIMESERV REMUNERATION POLICY

4. To endorse by way of a non-binding advisory vote, as recommended by the King Code on Corporate Governance III ("King III"), the Group's remuneration policy, as set out in the Integrated Report on pages 28 to 30.

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 2018 financial year as follows:

	Retainer R	Attendance fees per meeting R
Chairperson	78 000	19 000
Non-executive directors	24 000	19 000
Chairman of Audit, Governance and Risk Committee	83 100	–
Chairman of Remuneration and Nominations Committee	13 100	–
Chairman of Social and Ethics Committee	13 100	–
Committee members		
– Audit, Governance and Risk	–	8 500
– Remuneration and Nominations	–	6 100
– Social and Ethics	–	3 400

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

The fees in the table are for individual roles while the aggregate fees any single director earns 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 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 Act, the provision of any financial assistance by the Company to any company or corporation which is related or inter-related to the Company (as defined in the Act), on the terms and conditions which the Directors of Primeserv may determine, be and is hereby approved."

Reason for and effect of this special resolution

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

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

notice of **annual general meeting** (continued)

VOTING AND PROXIES

Record dates

In terms of section 59(1) of the Act, this notice has been sent to shareholders who were recorded as such in the Company's securities register on Friday, 28 September 2017, being the record date set by the Board in terms of the Act for determining which shareholders are entitled to receive a notice of Annual General Meeting. The record date on which shareholders must be registered as such in the Company's securities register, which date was set by the Board determining which shareholders are entitled to attend and vote at the Annual General Meeting is Friday, 10 November 2017. Accordingly the last day to trade in order to be able to attend and vote at the Annual General Meeting is Tuesday, 7 November 2017.

Voting

Shareholders will be entitled to attend the Annual General Meeting and to vote on the resolutions set out above. On a show of hands, every shareholder who is present in person, by proxy or represented at the Annual 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 shareholder shall have one vote for each share held by such shareholder.

In terms of the 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 numbers 1 and 2.

Electronic participation

Should any shareholder wish to participate in the Annual General Meeting by way of electronic participation, that shareholder should make application in writing to so participate (including details as to how the shareholder or its representative can be contacted) 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 (or its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Act and for the transfer secretaries to provide the shareholder (or their 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 at the meeting.

Should a shareholder wish to vote at the Annual General Meeting, they may do so by attending and voting at the Annual General Meeting either in person or by proxy.

Proxies

A 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 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, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107), not later than 09:00 on Wednesday, 15 November 2017.

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

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

(2) A proxy appointment
   - (a) must be in writing, dated and signed by the shareholder; and
   - (b) remains valid for
     - (i) one year after the date on which it was signed; or
     - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in sub-section (4) (c), or expires earlier as contemplated in sub-section (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 who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the Annual General Meeting should they decide to do so.

Dematerialised shareholders, other than "own name" dematerialised shareholders, who have not been contacted by their CSDP or broker with regard to how they wish to cast their votes, should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their votes at the Company's Annual General Meeting in order for their CSDP or broker to vote in accordance with such instructions. If such dematerialised shareholders 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 shareholder and the relevant CSDP or broker. If your CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

By order of the Board

notes

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 09:30 on Friday, 17 November 2017 ("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 terms of the agreement entered into between the shareholder and the CSDP or broker in the manner and cut-off time stipulated therein.

I/We (Name/s in block letters)

of (address)

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

1. or, failing him/her,

2. or, failing him/her,

3. the Chairperson of the Annual General Meeting as my/our proxy to act for me/us and on my/our behalf at the Annual 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
1. Resolution number 1 – To confirm the appointment of Mazars as independent auditors of the Company and M Patel as the designated auditor for the following year			
2. Resolution number 2 – To confirm the re-appointment as director			
2.1 LM Maisela			
2.2 DL Rose			
3. Resolution number 3 – To elect the members of the Audit, Governance and Risk Committee			
3.1 DL Rose			
3.2 JM Judin			
3.3 CS Ntshingila			
4. Resolution number 4 – Endorsement of Remuneration Policy			
5. Resolution number 5 – Authority for Directors or Company Secretary to implement the resolutions			
6. Special resolution number 1 – To confirm the non-executive directors' remuneration			
7. Special resolution number 2 – Authority to provide financial assistance to related or inter-related companies of the Company			

Signed at on 2017

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 Chairperson 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 Annual 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, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107), to be received not later than 09:00 on Wednesday, 15 November 2017.
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 Chairperson 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 Annual 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 Annual 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.

notes

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company **information**

Primeserv Group Limited
("Primeserv" or "the Group" or "the Company")
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
Telephone: +27 11 691 8000
Telefax: +27 11 691 8011
www.primeserv.co.za
email: productivity@primeserv.co.za

Company Secretary
ER Goodman Secretarial Services Proprietary Limited
(represented by Marilis Janse van Rensburg)
2nd Floor Palm Grove
Grove City, 196 Louis Botha Avenue
Houghton, 2198

Legal Advisors
DLA Cliffe Dekker Hofmeyr
Fasken Martineau
Harris Marcus Mahlangu
Werksmans

Sponsor
Grindrod Bank Limited
Registration number 1994/007994/06
4th floor Grindrod Towers
8A Protea Place,
Sandton, 2196

Bankers
FirstRand Bank Limited
Investec Bank Limited

Auditors
Mazars
54 Glenhove Road
Melrose Estate, 2196

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Registration number 2004/003647/07
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

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