integrated report 2018

1998–2018
celebrating twenty years
of working partnerships

the **six** capitals

Primeserv creates value for its stakeholders by transforming the six capital inputs into a comprehensive and integrated range of business support services. The successful delivery of these outputs to clients in many different sectors creates positive outcomes for the business, both financial and non-financial.

financial capital

Financial capital is the value of the equity and debt funding used to finance the Group's operations. Primeserv's astute financial management – supported by sophisticated systems, processes and procedures – aims to secure the Group's profitability, long-term growth potential and sustainability.

human capital

Human capital is the value of the people who work for us. In order to secure our human capital input and deliver on our value proposition to clients, we invest heavily in recruitment, retention and ongoing training and development.

intellectual capital

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

manufactured capital

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

social and relationship capital

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

natural capital

Natural capital is the value of the natural resources used by the Group in the process of doing business. This includes such resources as water, electricity, fuel and paper. The use of natural resources is as carefully managed as all of the other resources the Group uses.

contents

introducing **this report**

We are pleased to present the Primeserv Group Limited ("Primeserv" or "the Group") 2018 Integrated Report for the year ending 31 March 2018, which covers the performance of the Group and its subsidiaries, all of which operate in South Africa. The report includes our annual financial statements, analysis of these statements and reports on our non-financial performance in such critical areas as value creation, governance, risk management and compliance with the King Report on Corporate Governance for South Africa (2016) ("King IV").

material issues and stakeholder engagement

At Primeserv, we are fundamentally committed to conducting our business in an ethical and responsible way that creates long-term value for all of our stakeholders. This report has therefore been compiled in compliance with the principles of integrated reporting as set out by the International Integrated Reporting Council (IIRC), which align with our strategy, purpose and values as a large employer operating in South Africa.

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

preparation of the integrated report

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

- The Companies Act of South Africa (Act 71 of 2008)
- The Listings Requirements of the JSE Limited ("JSE Listings Requirements")
- The King Report on Corporate Governance for South Africa (2016) ("King IV")
- The International Financial Reporting Standards ("IFRS")
- The IIRC Integrated Reporting Framework

The contents of this report are broadly comparable with those of the 2017 Integrated Report.

assurance

Primeserv has developed a combined assurance model for the assurance of its annual integrated reports. Further information about this model is available on page 9.

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

forward-looking statements

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

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

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

contacts

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

Primeserv's Integrated Report 2018 is available in electronic format on the Group's website: www.primeserv.co.za and any queries regarding or related to the report are welcomed at the following email address: IAR@primeserv.co.za.

approval of the integrated report

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

For and on behalf of the Board

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

30 July 2018

year in **review**

revenue ▲13%

R725.3 million

(2017: R642.1 million)

EBITDA ▲1%

R24.8 million

(2017: R24.6 million)

operating profit ▲3%

R22.3 million

(2017: R21.6 million)

profit before taxation ▲4%

R20.3 million

(2017: R19.5 million)

earnings per share (EPS) ▲22%

21.70 cents

(2017: 17.77 cents)

headline earnings per share ▲18%

22.14 cents

(2017: 18.74 cents)

net asset value per share ▲14%

145 cents

(2017: 127 cents)

our **purpose**

To provide customised, integrated and measurable business support services to meet the specific needs of our clients.

Operating entities are either **Level 1** or **Level 2 B-BBEE** contributors

Listed on the **JSE** for **20** years

7 regional hubs in **7 provinces**

19 offices in **8 provinces**

our **business**

Primeserv Group Limited is a JSE-listed investment holding company that, through its subsidiaries, provides cutting-edge business support services designed to enhance the capabilities, productivity and performance of its clients.

group **overview**

Primeserv is an innovative provider of specialised, integrated business support services focused on planning, implementing, managing and measuring human capital solutions for clients in a wide range of industries and sectors. Our services include a comprehensive range of staffing services, functional outsourcing and productivity solutions, training and consulting services, and related support services.

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

the competitive **advantage**

Primeserv offers its clients a competitive advantage in their various market segments by providing:

- **Client-centric solutions** that enable the achievement of their **strategic business objectives**
- Market-leading **customer service excellence**
- **Extensive knowledge** and experience in **human capital management**
- An **in-depth understanding** of **labour** and **regulatory issues**
- Leading **information** and **management systems**
- **Robust monitoring** against **performance objectives**

our **focus**

PEOPLE • PRODUCTIVITY • PERFORMANCE • primeserv

Successful human capital management is driven by several factors, including knowledge, skills, abilities, experience, intelligence and training, all of which enhance individual employability and the potential for career development. Mindful of all of these factors and the employment challenges facing both employers and employees in South Africa today, Primeserv focuses strongly on proficiency development through training and learnership programmes, many of which are aimed specifically at the youth.

Primeserv's service offering is based on extensive industry knowledge and expertise, a passion for innovation and a deep commitment to the success and development of people. In our business, we foster a culture of inclusiveness, teamwork and excellence in client service, all in an environment driven by a philosophy of continuous improvement.

our **pledge**

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

group **structure**

primeserv
group limited

integratedbusiness support **serv**ices

Staffing 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

- **Related Fulfilment** 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 Management
  - – Lifestyle and Employee Benefits

Shared Services

- **Shared** Services
  - – Corporate Office
  - – Finance
  - – IT
  - – HR
  - – 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
  - – Workplace Skills Plans
  - – Innovation Skills Development Hub
- **Consulting** Services
  - – Human Capital Management Consulting
  - – Strategic HR planning
  - – Legislative expertise
  - – B-BBEE Advisory
  - – EE Advisory
  - – Remuneration Advisory
  - – Development of Workplace Skills Plans
  - – Skills Gap Analysis
  - – Performance Management

360

brands and trademarks

primeserv **integrated**business support **serv**ices

the Primeserv INT**HR**GRATE™ model

our **value proposition**

As a provider of integrated business support services, we add value by enabling our clients to be more efficient, productive and profitable. We also ensure that they are fully compliant with all relevant legislation and regulatory requirements. This value is based on our in-depth understanding of both their businesses and the complexities of human capital management. Within this context, we strive to develop and deliver cutting-edge systems and procedures that enable us to deliver optimal levels of service and to exceed expectations every day.

The basis of our services offering is our proprietary INT**HR**GRATE™ model, which is used to facilitate a holistic approach to human capital management and to determine the correct mix of services for each client.

INT**HR**GRATE™ takes into account the client's business strategy, objectives and structure when an appropriate solution is being developed for the organisation. It also facilitates the correct selection of services to meet each client's unique needs.

our **brand**

In 2018, Primeserv celebrates the 20th anniversary of its listing on the JSE. The brand therefore has an established presence in the market, but it is obviously necessary to refresh it from time to time in order to ensure that it remains relevant and appealing.

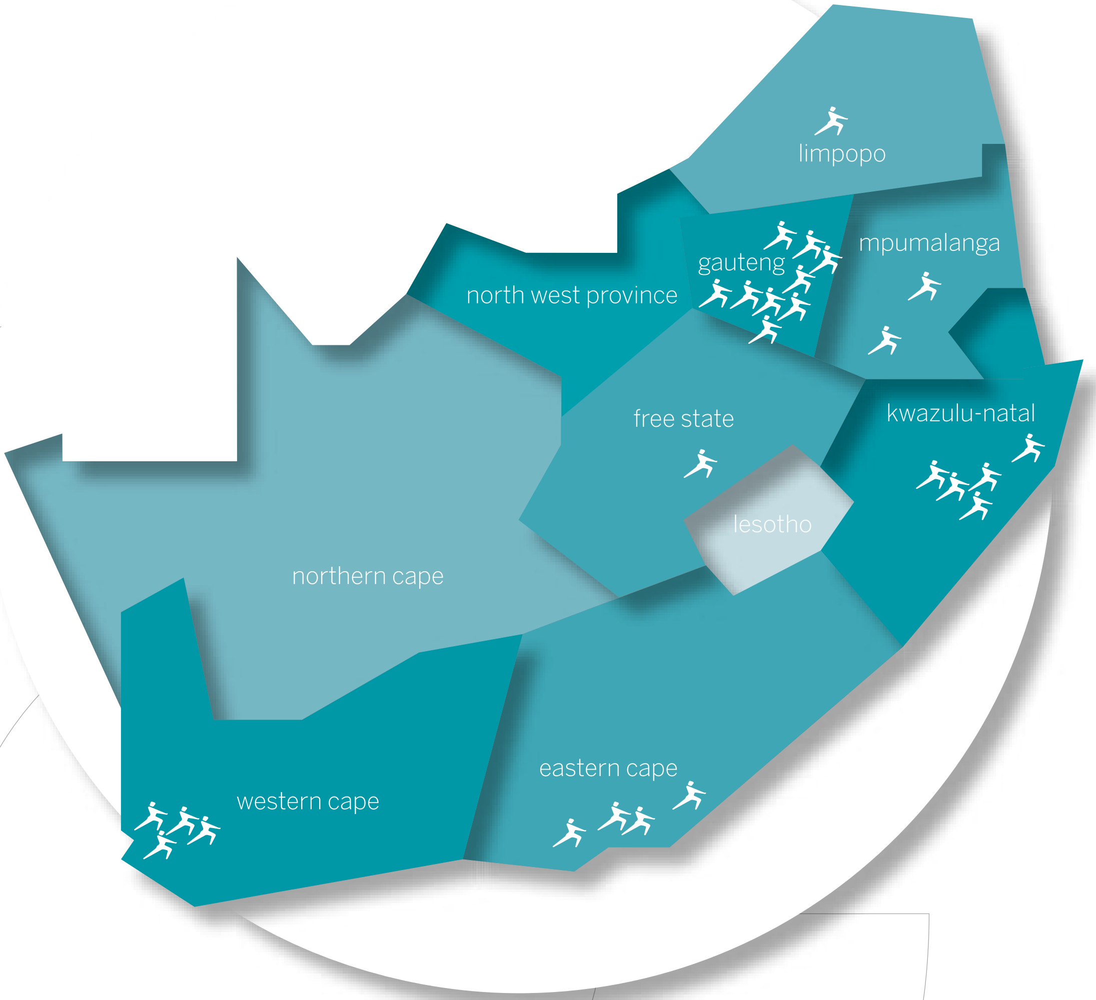
In early 2017, we embarked on a process of doing just that, setting out specifically to update the brand to reflect our strategic positioning as a provider of integrated business support services. The process involved a full visual update of the Group's logo and branding to give it a more youthful, dynamic and contemporary feel. This new brand identity was implemented across all branding and marketing collateral during the course of the reporting period and now provides a strong platform for communications not only about the Group's listing anniversary but also about its positioning and services offering.

The Primeserv difference lies in people, productivity and performance. It always has and it always will. Our new identity is proud testament to that.

PEOPLE • PRODUCTIVITY • PERFORMANCE

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

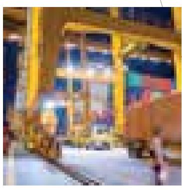
group **footprint**

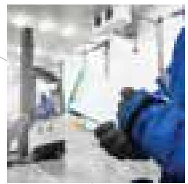
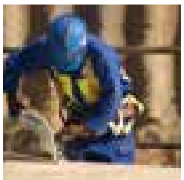


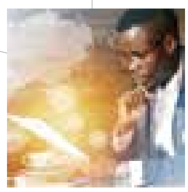
sectors and **industries** we **service**

Agriculture
Automotive
Banking
Building and Construction
Design and Draughting
Drivers and Transportation
Engineering and Fabrication
Facilities Management
Financial and Insurance
Food Production
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**

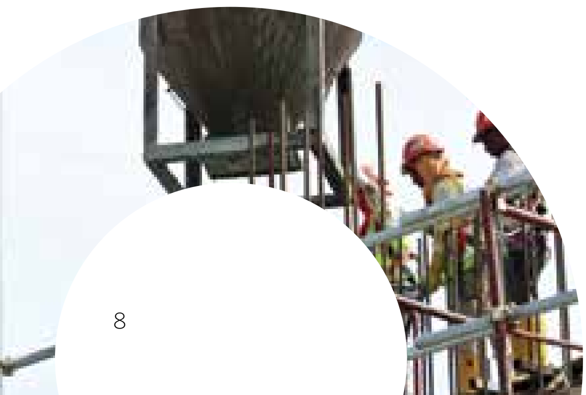
Primeserv creates value by using capital inputs in six key areas as described in the Six Capitals section of this report. It transforms these through its business activities to create a set of outputs in the form of products and services. Efficient delivery of these products and services creates added-value outcomes for the business and all its stakeholders.

our strategy

strategic intent

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

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



strategic objectives

Our strategic objectives are to:

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

strategic implementation

We deliver on our strategy by focusing on:

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

our INT**HR**GRATE™ **model**

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

our **business model**

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

inputs

Equity funding

Debt funding

Experienced executive and management teams

Suitably qualified, well-trained and capable personnel

Carefully selected and managed contractors

Reliable and compliant suppliers

Proven leadership skills

Ethical values

Sound business strategy

Optimal risk management procedures

Corporate governance aligned with international best practice

Enabling technology

Vehicles

Tools and equipment

Infrastructure

Strong company culture

Positive employee relations

Collaborative partnerships

Active and constructive relationships with government, unions and employer organisations

Active memberships of industry bodies

Established CSI programme

Water

Electricity

Fuel

Paper

business activities

Strategy development and implementation

Investment and financial management

Risk management

Client needs assessment

Development, provision, management and monitoring of customised and integrated business support services and solutions

Resource allocation

Logistics

Administration

impacts on our business

Macroeconomic conditions

Socio-economic conditions

Political instability

Unstable labour environment

Labour legislation and regulations

B-BBEE compliance requirements

Digitisation and automation

Local and international governance requirements

JSE Listing Requirements

operating environment

Highly competitive and price sensitive

Hampered by skills shortages

Influenced by disruptive technologies and automation

Characterised by low growth and high levels of unemployment

outputs

Human capital consulting services

Functional outsourcing services

Business process outsourcing

Productivity solutions

Staffing and recruitment services

Accredited training and skills development services

Payroll management services

Shared services

Performance and productivity monitoring

Real-time and in-depth management reporting

Labour market research

outcomes

Business stability

Robust balance sheet

Sustainable revenue and profits

Dividends to shareholders

Tax contributions

Fair remuneration

Employment opportunities

Youth advancement

Continuous skills development

Enhanced efficiency and productivity

Fair labour practices

Individual and collective empowerment

Proprietary INT**HR**GRATE™ operating model

Unique intellectual property

Unique systems and procedures

Legal and regulatory compliance

Influence in the labour industry

Modern, connected regional hubs

National branch network

Shared Services Hub

Innovation Hub

Technologically advanced training centres

Innovative systems and technology

Continuous benchmarking of expertise and service excellence

High B-BBEE ratings

Employer of choice

Social and economic transformation

Socio-economic growth and development

Planned and well-managed use of natural resources

our **stakeholders**

At Primeserv, our business is about people, and operating successfully means that we have to manage a complex network of critical relationships. We therefore actively engage with all of our stakeholder groups in order to gain the insight necessary to inform our strategic, risk management and organisational development decisions. Our key stakeholders and the issues that concern them are listed below.

employees

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

what they mean to us	we engage with our employees through:	we create value for our employees by providing:
Human capital is one of our most important inputs and our employees are essential to the sustainable success of our business. We believe that excellent employee care fosters excellent service which, in turn, fosters positive outcomes for both the Group and its clients. Developing our people is a value-driven business goal for the Group, our clients' businesses, broad-based economic growth and social development.	• A formal induction programme • A formal performance management and mentorship programme • A comprehensive internal communications programme • Staff events	• A wide range of employment opportunities, including first-time employment opportunities • Active and engaged performance management, coaching and mentorship • General and industry-specific training and skills development • Fair and rewarding performance-related remuneration • Managed career development • An innovative and supportive working environment • Transformation initiatives

clients

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

what they mean to us	we engage with our clients through:	we create value for our clients by providing:
Our clients are the cornerstone of our business and their success is the greatest measure of our own success. We have long-term relationships with our clients and constantly evolve to meet their changing needs. We also actively engage in attracting new clients to facilitate both organic growth and onward referrals.	• Dedicated client service managers • Our client support system • A comprehensive communications programme • Industry associations • Managed media coverage	• Customised, integrated and fully managed business support services and solutions • Greater business capability and resilience • Increased competitiveness • The ability to focus on their core competencies and activities while we manage their human capital requirements • Service excellence backed by continuous monitoring and benchmarking of services using reliable systems • Product and service offerings that provide solutions that address evolving business needs and objectives • On-time and uninterrupted services • Legislative and regulatory compliance

shareholders and potential investors

This group includes our shareholders and the investment community.

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

government and regulators

This group includes government and various industry regulatory bodies.

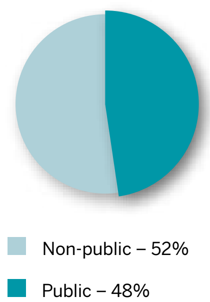
what they mean to us	we create value for government and regulators through:
As the custodian of labour legislation and regulations, government is a key stakeholder in Primeserv's business. We actively engage and collaborate with government to ensure that legislation and regulations protect and advance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

communities

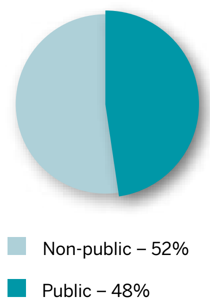
This group encompasses the communities in which we operate.

what they mean to us	we create value for communities by providing:
Creating shared value is beneficial to both Primeserv and the communities in which it operates. This contributes towards broad-based socio-economic development and secures the kind of stable operating environment in which both individuals and businesses can be successful.	• 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

shareholder spread 2018



shareholder spread 2017



risk management **and mitigation**

how we manage risk

Primeserv's full risk management processes are outlined on pages 26 to 29. A summary of the most significant risks we face and the processes we have in place to manage these are indicated in the risk matrix below.

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

our **approach** to **management**

shareholders

board of directors

independent non-executive directors

Cleopatra Ntshingila Chairperson
David Rose Lead Independent
Michael Judin

non-executive directors

Letepe Maisela

executive directors

Merrick Abel Chief Executive Officer
Raphael Sack Financial Director

audit, governance and risk committee

David Rose Chairman
Michael Judin
Cleopatra Ntshingila

remuneration and nominations committee

Michael Judin Chairman
Letepe Maisela

social and ethics committee

Letepe Maisela Chairman
Merrick Abel
Cleopatra Ntshingila

manco

- business unit management
- operational units
- national hub and branch network

supported by
shared services

1998–2018 primeserv
celebrating twenty years of working partnerships

our **board**

executive directors

1. Merrick Abel[*]

Chief Executive Officer

BA (Hons), MBA
Appointed: August 1997

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

2. Raphael Sack

Financial Director

BCom, BCompt (Hons), CA(SA)
Appointed: June 2009

Since his appointment in 2006, Raphael has been a director of several Primeserv subsidiaries. Before joining the Group, he was the Financial Director of a number of other companies, including Spanjaard Limited, 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 the General Manager in the office of the Group Chief Executive of Transnet. She is also the legal lead on the team constituted for the execution of the Continental High-Speed Railway Project, which falls under the jurisdiction of the African Union Commission. She has vast experience in the inter-modal transportation sector, including in infrastructure planning, business development, commercial finance, specialised finance and the regulatory environment.

4. Michael Judin[#¤]

Independent Non-Executive Director

Dip Law
Appointed: August 1997

Michael is a director of the Johannesburg-based law firm, Judin Combrinck Inc. and both legal adviser to and a director of the American Chamber of Commerce in South Africa. He is also the Co-Chair of the Corporate Governance International Development Sub-Committee of the American Bar Association and 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 and has 27 years of experience in marketing and management consulting. He is also the founder and Chairman of Tsabatsaba Holdings Proprietary Limited, the Chairman of International Finance Group (IFG), and a director of Reutech Limited, Kayamandi Resources and the National Arts Festival.


1


2


3

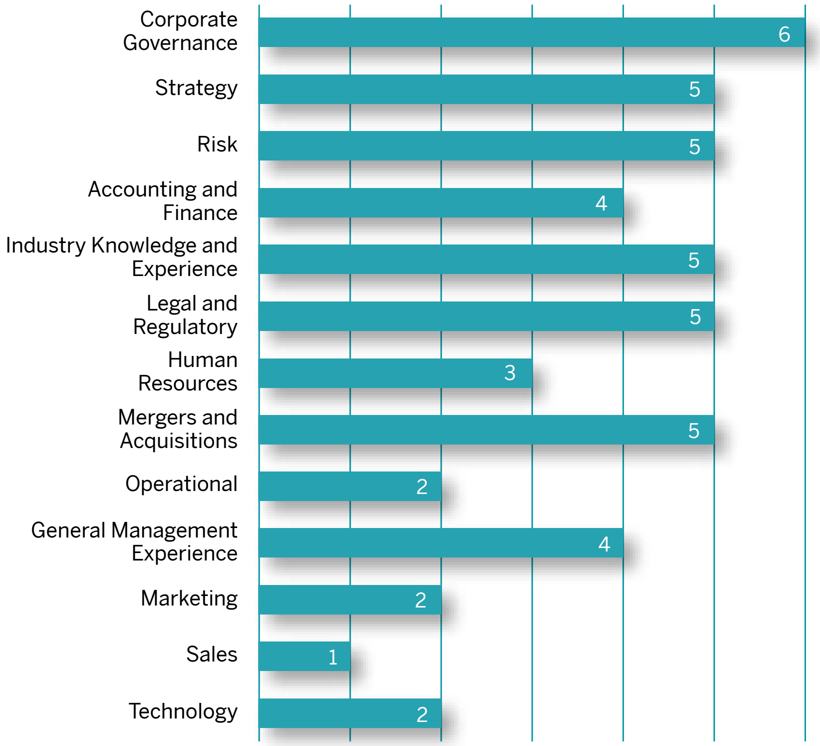

4


5


6

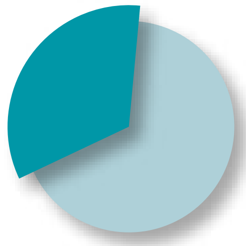
[#] *Audit, Governance and Risk Committee.*
[¤] *Remuneration and Nominations Committee.*
[*] *Social and Ethics Committee.*

board skills (number of directors)



directors

As at 31 March 2018

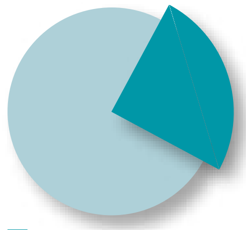


Executive – 33%

Non-executive – 67%

independence

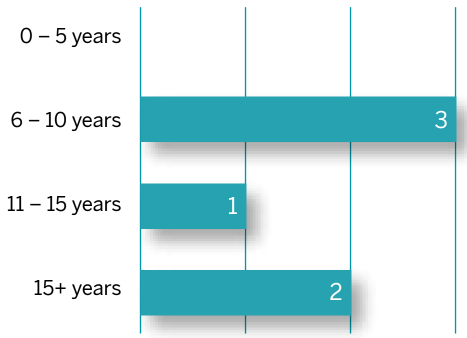
As at 31 March 2018



Non-independent non-executive – 25%

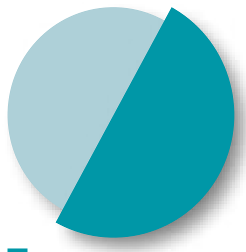
Independent non-executive – 75%

board tenure



race

As at 31 March 2018

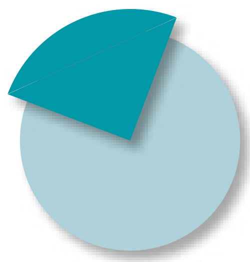


Black non-executive – 50%

White non-executive – 50%

gender

As at 31 March 2018



Female non-executive – 25%

Male non-executive – 75%

chairperson's report

Importantly, we continue to make a valuable contribution to job creation and skills development in South Africa

While operating conditions throughout the 2018 financial year remained challenging, Primeserv was nevertheless able to deliver positive financial results for the period. Importantly, we continue to make a valuable contribution to job creation and skills development in South Africa and are proactively involved in addressing important issues in the local labour market, both through our own initiatives and through our participation at senior executive level in various industry bodies.

These are all key achievements given the socio-economic context within which we operate, characterised as it is by low growth, increasingly high levels of unemployment (particularly amongst the youth), social disquiet and ongoing political uncertainty. The temporary employment sector also continues to be faced with significant uncertainty regarding labour legislation promulgated in 2015, many provisions of which are still to be definitively interpreted and tested.

Within this context, it is important for Primeserv to continue to focus strongly on future growth, as well as the strategic issues of unlocking shareholder value and diversifying the Group's offerings to ensure long-term sustainability, especially as economic conditions are unlikely to change significantly in the foreseeable future.

South Africa's economy grew by only 1.3% in 2017 and shrank by 2.2% in the first quarter of 2018 (Stats SA). While growth in 2017 exceeded National Treasury's projection of 1%, it remained much lower than the growth recorded by key trading partners, especially in the SADC region. The precipitous decline in the first quarter of 2018 can be attributed to sharply reduced agricultural output, with declines also evident in mining, construction, manufacturing and trade. These declines can be expected to significantly and negatively impact employment levels, the cost of living and, consequently, consumer spending. In addition, political uncertainty and the country's marginal sovereign credit rating continue to impact on the economy and, in particular, investment, leading to a situation of ongoing stagflation.

If we interrogate unemployment figures, the picture becomes even more stark. General unemployment remains stagnant at 27.7% (Stats SA), making South Africa's unemployment rate one of the highest in the world (NationMaster). However, if one takes discouraged job seekers and people who have never been able to find a job into account, the expanded unemployment rate is 36.4% (Stats SA). Using this expanded definition, youth unemployment is at crisis levels, with 67.4% of people under the age of 25 being unemployed (Stanlib). Even the general unemployment rate for people aged between 18 and 34, which is the group defined by government as "youth", has crept up to an all-time high of 56% from 54% in the previous period (Stats SA). This trend is unlikely to change significantly in the short or even the medium term, so permanent job creation is likely to remain stagnant for the foreseeable future.

With these statistics in mind, there can be little doubt that unemployment is one of the greatest risk factors the country faces today and that it is exacerbating both political and socio-economic instability.

Within this scenario, Primeserv has an important role to play, contributing as it does to youth development through training initiatives as well as by providing job opportunities for many first-time job seekers. We also focus strongly on career advancement and, on a broader basis, on empowering the communities in which we operate through our CSI programme. In addition, we work closely with government, business, labour and NGOs to facilitate sustainable initiatives aimed at creating workplace opportunities and providing post-experience training, especially for the youth.

On the legislative front, this effort has been hampered by some uncertainty over the past two years. During the 2016 reporting period, the Labour Court ruled on an interpretation of some of the 2015 amendments to the country's labour laws, finding that there was a dual employment relationship between the temporary employment services ("TES") provider and its clients. This stabilised the industry to some extent after the initial reaction to the amendments, which had introduced deeming provisions with regard to workers in temporary employment for more than three months.

This ruling was subsequently overturned by the Labour Appeal Court and, in response, the legal team acting on behalf of the initial respondent and various industry representatives filed an application for leave to appeal to the Constitutional Court. This effectively suspended the judgement of the Labour Appeal Court pending judgement by the Constitutional Court, which is expected to be handed down in August or September of this year.

This means that, while the temporary employment sector has been able to continue operating as usual, an adverse finding by the Constitutional Court could have a significant impact on its operations. Key players in the industry are nevertheless of the opinion that, whatever the Court's judgement, they will be able to reconfigure if necessary and will continue to play a vital role in meeting the fluctuating and ever-changing need for integrated labour management in South Africa.

Research projects conducted over the past three years have affirmed the sector's value and beneficial impact as it provides both flexibility and managed labour solutions, which are essential to competitiveness in a globalised economy. Restricting this flexibility is likely to have many negative ramifications for the South African economy, particularly in its ability to respond to early growth indicators, as well as for the country's unemployment rate.

While recent changes in the legislative environment have increased the level of risk in the temporary employment sector, we have proactively ensured that Primeserv is in position to respond to evolving conditions. Whether we will be able to continue to supply temporary employment services in the way that we are currently doing or whether we will need to adapt our services offering, Primeserv is ready and prepared to act decisively, whatever the circumstances.

While it is difficult to predict what will happen, Primeserv has a long history of agility and we will continue to evolve, taking into account any changes to the environment that may occur. The Group's solid financial foundation, innovative solutions, expandable capacity and proven track record of providing excellent client service mean that it is in strong position to take advantage of market opportunities, whatever the greater operating context may be. While macroeconomic growth is expected to remain muted during the current period, we anticipate that, all things being equal, the 2019 financial year will be another successful one for the Group.

In closing, I would like to extend my thanks to our CEO, Merrick Abel, and his senior management team for enabling Primeserv to deliver another set of positive results. Under their guidance, the Group's staff have all contributed to its excellent performance.

I would also like to thank my fellow directors for their diligence, leadership and guidance during the 2018 financial year.

Cleopatra S Ntshingila
Chairperson

30 July 2018

chief executive officer's report

Our integrated business support services and proven ability to deploy the required skills and services as and when needed enables our clients to enhance their own productivity and performance

The human capital management and business support services landscape in South Africa is particularly complex and, like the country's economy, vulnerable to uncertainties on a number of different fronts. This has to be seen within the greater macroeconomic context where conditions remain constrained, as they did throughout the reporting period.

Growth in the South African economy barely cleared the 1% mark in 2017 and slumped by 2.2% in the first quarter of 2018 (Stats SA). Together with muted business confidence and low levels of investment, this continues to have a very real impact on businesses in all sectors and segments. A persistent complicating factor is South Africa's extremely high unemployment rate, particularly amongst youth aged between 18 and 25, which is exacerbated by the country's rigorously legislated, regulated and constantly changing labour environment. All of these factors contributed to challenging trading conditions.

The recent introduction of a statutory minimum wage and the impact this is likely to have on vulnerable sectors of the economy is still to be determined. Although Primeserv is of the view that this key initiative will offer an element of protection for those who are most vulnerable when it comes to earning a living wage, the unintended consequence may be that it will have a direct impact on an even more vulnerable sector of the population, namely the unemployed, placing an even greater burden on state resources.

From a legislative and regulatory point of view, Primeserv supports labour law and regulations that offer protection to all workers, particularly those who are vulnerable to exploitation. Pivotal to this is the fact that all of our services are legislatively compliant. This gives our clients essential peace of mind in such a complicated and difficult-to-navigate labour environment. As a major employer, we are proactively involved in shaping the evolution of the temporary employment services (TES) industry, which is a fundamental component of our integrated business services offering.

Primeserv's solid financial performance in the reporting period was achieved despite lower volumes and narrowing margins in some of the sectors in which we operate. Our results for the year are a testament to the Group's integrated and client-focused solutions, as well as to our national capability, and long-standing partnerships with our clients, which include local companies, multinationals, government departments and state-owned enterprises.

Revenue increased by 13% from R642.1 million to R725.3 million, mainly due to new contracts and growth in existing contracts. Increased revenue contributed to a 3% rise in operating profit, which moved up from R21.6 million

to R22.3 million. EBITDA, in turn, increased by 1% from R24.6 million to R24.8 million and net profit before tax increased by 4% from R19.5 million to R20.3 million. This translated into a 22% increase in earnings per share, which increased from 17.77 cents per share to 21.70 cents per share. Headline earnings per share increased by 18% from 18.74 cents per share to 22.14 cents per share. Net asset value at year-end improved by 14% from 127 cents per share at 31 March 2017 to 145 cents per share.

At operational level, improved collections resulted in the Group's gearing ratio dropping from 31% at the end of March 2017 to just 7% at the end of March 2018. We were also able to bring days sales outstanding (DSO) down from 63 days to 53 days. Similarly, trade receivables decreased from R125.7 million in the previous period to R118.5 million by the end of the period under review.

Cash flows from operating activities improved from a net outflow of R6.5 million for the 2017 financial year to a net inflow of R34.6 million for the year under review whilst the overall cash position turned around from an outflow of R12.1 million in the prior year to an inflow of R27.4 million in the current year. This was after both the payment of dividends, which went up from R1.2 million in the prior year to R3.2 million in the current year, and further investment in fixed assets of R3.4 million.

At segment level, revenue in the Staffing Services segment improved by 15% from R609.9 million to R700.2 million, with EBITDA increasing by 12% from R35.2 million to R39.3 million. Operating profit, although impacted to some extent by lower margins, went up by 14% from R33.6 million to R38.2 million and we were able to reduce DSO from 61 days in the previous period to 52 days by the end of March 2018.

The blue collar staffing unit, which specialises in servicing the logistics, warehousing and distribution market, as well as the wholesale and retail, manufacturing and construction sectors, delivered a satisfactory performance. The staffing unit servicing the financial and related services industries had a satisfactory year. The large project engineering and construction sector continues to contend with the lack of new infrastructure developments and this dampened growth in the white collar professional draughting and engineering staffing unit. The unit servicing the power generation sector was beset by erratic headcount volumes and extreme margin erosion.

In contrast, the Training and Consulting Service segment had an extremely difficult year. Sales decreased by 22% from R32.2 million to R25.0 million and the operating loss rose from R1.3 million in the previous period to an unexpected R5.9 million. This was mainly due to the fact that operating costs were significantly impacted by material but unbudgeted expenditure relating to the closing out of a number of legacy projects, as well as by investment in senior staff who failed to build the requisite sales pipeline or deliver targeted revenue. Performance was further impacted by undertaking some new business at inferior margins with a view to improving sales volumes.

As the business is intended to provide both strategic and growth opportunities for the Group as a whole, this performance necessitated an intensive reassessment and restructuring process. Consequently, non-performing components of the business were closed, the products and services offering was extensively reviewed, and substantial changes were made to personnel. The segment is an important component of Primeserv's integrated business support services offering and it is anticipated that it will return to profitability in the medium term.

Notwithstanding this setback, the Group delivered a sound set of financial results for the 2018 financial year. Tight control over working capital, continuous improvement in operating efficiencies, and cost containment enhanced the Group's overall operating profit. These, together with an improvement in margins, remain a focus area.

With regard to outlook, we anticipate that the economy and the operating environment will remain under pressure for the foreseeable future. Socio-economic conditions are unlikely to improve in the near term and unemployment – especially youth unemployment – is likely to remain a high risk factor for both economic and political stability. Uncertainty regarding labour legislation also continues, but we anticipate at least some clarity on key issues in August or September of the current year.

Low growth and sharply rising costs will also continue to hamper business development, making future performance difficult to predict. Primeserv is, however, on a sound operational footing and has a well-deserved reputation for reliable delivery and excellent client service. Our deep understanding of the human capital and industrial relations space is invaluable to our clients as we are able to assist them in navigating a very complex landscape. Our integrated business support services and proven ability to deploy the required skills and services as and when needed enables our clients to enhance their own productivity and performance, and thereby achieve their strategic goals.

Primeserv is also a hub of skills development and training. Over the past few years, we have delivered approximately 40 000 training interventions to individuals across the various industries in which our clients operate. We are deeply committed to developing skills and employability throughout the labour force, particularly amongst the youth. One of our main business objectives is to ensure that we not only have an impact within our own business, but that we also have a greater social impact. In order to do this, we focus on youth skills development and upliftment, and on unlocking employment opportunities through the transfer of skills, especially to those entering the workplace for the first time.

The Group's strong balance sheet and our low gearing provide stability and will facilitate both organic and acquisitive growth. Acquisitions in new areas across the business support services arena will help us to mitigate certain of the inherent risks within the sectors in which we currently operate.

All of this is supported by our recent repositioning and rebranding, which has positioned the Group to take advantage of new opportunities in the business support services space. This, in turn, is reinforced by an ongoing process of innovation, not only in our products and services offering, but also in the way in which we are structured and operate. New technologies pose a risk of disruption in our industry, as they do in all industries and sectors, but we are constantly assessing and evaluating this risk and preparing to adapt to the changing environment.

We do, however, need to be mindful of the fact that increased mechanisation, automation and conversion to robot technology will erode elements of the job market as we know it. In this ever evolving environment, the skills required by employers are constantly changing, and we believe that Primeserv has an essential role to play in helping its employees and clients respond to such conditions. True to our heritage, Primeserv is actively embracing the future world of work; a world in which people, new technologies and increasing automation are being used to enhance both productivity and outcomes.

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

As a Group, we are also committed to achieving transformation goals, not only as a strategic imperative, but as a means of assisting our clients to meet their own transformation objectives. The Group has successfully transitioned to the new scorecard requirements introduced in 2017 and each of the Group's operating entities have a Broad-Based Black Economic Empowerment (B-BBEE) score of either Level 1 or 2.

The Group's strong performance over the past year has only been possible because of the hard work and commitment of our management and staff. My thanks and appreciation are extended to all of our employees for doing Primeserv proud and for upholding our reputation for service excellence.

Thanks are, of course, also due to my fellow directors for their wisdom and guidance throughout the reporting period. In particular, I would like to extend my thanks and best wishes to Mr JM Judin who, after 20 years of service to the Group, has decided not to stand for re-election at the upcoming AGM. His long-standing service to the Group is deeply appreciated and his corporate governance expertise has been of significant value to us. Finally, special thanks are due to our clients, business partners, shareholders and all other stakeholders for their role in Primeserv's success.

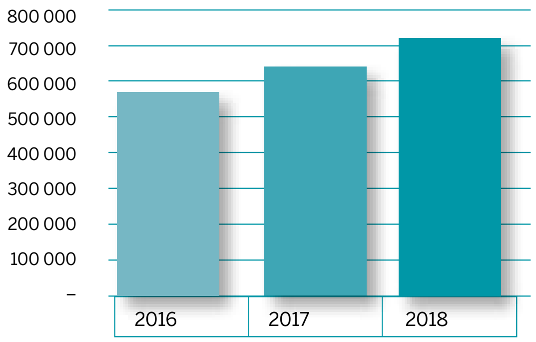
Merrick Abel
Chief Executive Officer

30 July 2018

three year history

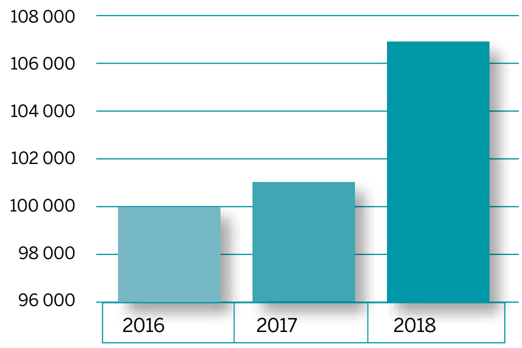
revenue

R '000



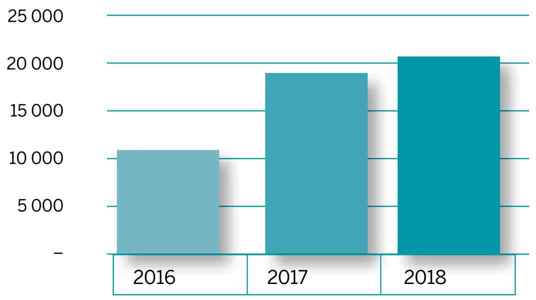
gross profit

R '000



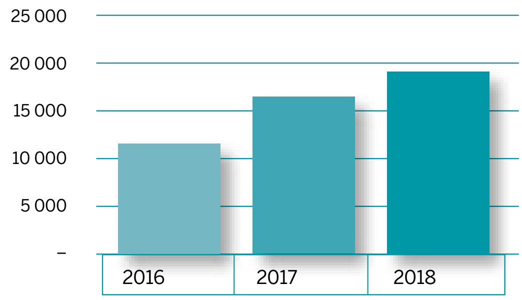
profit before taxation

R '000



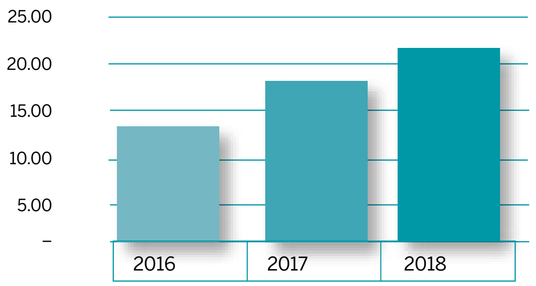
profit after taxation

R '000



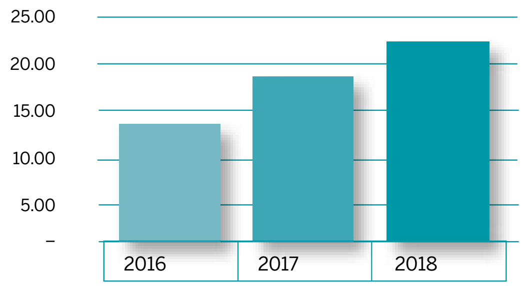
eps

cents per share



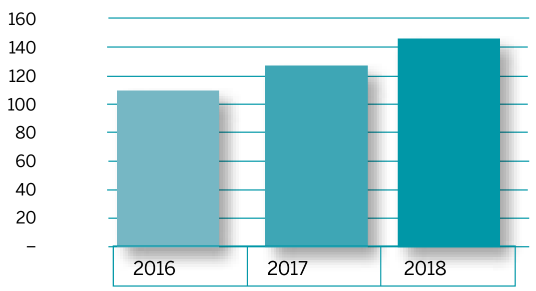
heps

cents per share



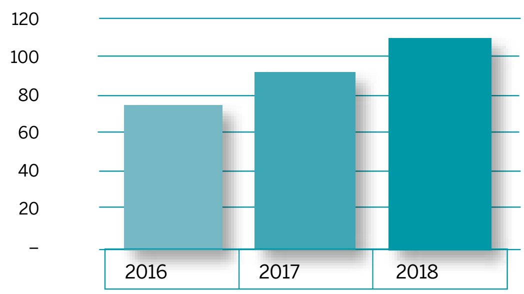
nav

cents per share



tangible nav

cents per share



corporate governance and risk management

corporate governance report

governance framework

The Primeserv Board subscribes to ethical leadership, the principles of good governance, stakeholder inclusivity, and business, social and environmental sustainability. It strives to lead by example and to actively promote ethical practices and sound corporate citizenship. In order to provide an appropriate framework in which this can take place, the Group has a Code of Ethics and Corporate Conduct, which ensures that it operates within a framework of good business practice. This is complemented and supported by the Primeserv Pledge (see page 3), which is prominently displayed in all of the Group's offices.

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

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

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

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

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

Effective governance is considered vital to the Group's standing, performance and sustainability. It therefore adheres to all relevant legislation, the JSE Listings Requirements and the corporate governance guidelines defined in the King IV. Governance structures and processes are regularly reviewed and updated to accommodate internal developments and to reflect best practice.

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

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

composition of the board

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

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. The non-executive directors provide independent judgement on issues of strategy, budgets, performance, resources, transformation, diversity, employment equity and standards of conduct. They are also responsible for ensuring that the 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 needed, including race and gender, and assesses the effectiveness of the Board and its various committees as well as the individual contribution of each director.

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

Accordingly CS Ntshingila will retire by rotation at the upcoming Annual General Meeting and, being eligible to do so, will offer herself for re-election. Her brief CV is contained in this Integrated Report. JM Judin, having served on the Board for 20 years, has not offered himself for re-election. In determining whether to recommend a director for re-election, the Remuneration and Nominations Committee considers the directors' record of compliance with regulatory requirements, attendance at meetings, participation in and contributions to the activities of the Board. It also considers the results of the most recent Board self-evaluation.

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, which takes into account their individual experience, skills and requirements.

Directors are remunerated in accordance with the Group's Remuneration Policy, which is given on pages 32 to 34.

evaluation of the board

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

conflicts of interest

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

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

board responsibilities and functioning

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

The Board defines levels of materiality, reserving specific powers for itself and delegating other matters, together with the necessary authority, to the CEO, any other executive director, the committees of the Board or management. Notwithstanding this, the directors recognise that they are ultimately accountable and responsible for the performance and affairs of the 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 process sets the tone for the Group and encompasses ethics and values, organisational philosophy and employee competence.

The Board actively participates in the process of strategy 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

	Meetings held	Meetings attended
Board		
CS Ntshingila	5	5
M Abel	5	5
JM Judin	5	4
LM Maisela	5	4
DL Rose	5	5
R Sack	5	5
Audit, Governance and Risk Committee		
DL Rose	3	3
CS Ntshingila	3	3
JM Judin	3	3
M Abel*	3	3
R Sack*	3	3
DC Seaton*	3	3
Remuneration and Nominations Committee		
JM Judin	2	2
LM Maisela	2	2
M Abel*	2	2
Social and Ethics Committee		
LM Maisela	2	2
M Abel	2	2
CS Ntshingila	2	2

* *By invitation*

corporate governance and risk management
(continued)

company secretary and independent advice

The Board of Directors has direct access to the Company Secretary, ER Goodman Secretarial Services Proprietary Limited, which provides guidance and assistance in line with the requirements outlined in the Companies Act (Act 71 of 2008), the King IV and the JSE Listings Requirements. Primeserv's Financial Director and/or the Group Legal and Risk Officer also attend to certain company secretarial responsibilities.

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

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

board committees

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

The Audit, Governance and Risk Committee is constituted as a statutory committee of the Board in compliance with the Companies Act, King IV and the JSE Listings Requirements. Its composition, responsibilities and activities are covered in the Audit, Governance and Risk Committee Report on pages 31 and 32.

The Remuneration and Nominations Committee is constituted as a statutory committee of the Board for the purposes of considering remuneration across the Group, the composition of the Board and its committees, executive training and succession planning. Its composition, responsibilities and activities are covered in the Remuneration and Nominations Committee Report on pages 32 to 35.

social and ethics committee

The Social and Ethics Committee is constituted as a statutory committee of the Board in compliance with the Companies Act. Its composition, responsibilities and activities are covered in the Social and Ethics Committee Report on pages 36 to 38.

risk and compliance

risk management policy

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

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

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

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

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

risk management framework

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

Primeserv's risk management framework ensures:

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

operational risk management

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

combined assurance framework

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

corporate governance and risk management
(continued)

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

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

internal control

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

The Committee evaluates the adequacy and effectiveness of internal control systems and monitors the implementation of recommendations made by the external auditors. The Group has internally defined lines of accountability and delegation of authority, and makes provision for comprehensive reporting and analysis against approved standards and budgets. Compliance is tested by way of management 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 disposal, the maintenance of proper accounting records, and the reliability of financial and operational information used in the business. The system of internal control is designed to manage rather than eliminate the risk of failure so as to achieve business objectives and can provide reasonable rather than absolute assurance against material misstatement or loss. There is an ongoing process of identifying, evaluating, managing, monitoring and reporting on significant risks faced by the Group.

internal audit

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

external audit

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

insurance

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

information technology

The Board is ultimately responsible for IT governance and acknowledges the vital role that this has to play in the management of risks and the achievement of the Group's objectives.

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

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

- alignment of strategic IT objectives and strategic enterprise objectives and processes;
- prioritisation of IT project initiatives and delivery of IT investment recommendations for Board approval;
- sufficient organisational capability to enable the business to deliver on its strategic 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; and
- A robust disaster recovery management process.

tax

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

compliance with laws, rules, codes and standards

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

restrictions on share dealings

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

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

integrated reporting and disclosure

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

annual general meeting

The agenda for the Annual General Meeting (AGM) is set by the Company Secretary and is communicated to all shareholders in the notice of the meeting that accompanies the Integrated Report. Consequently, the notice of the 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.

audit, governance and risk committee report

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

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

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 to shareholders. The Chairman is appointed by the Board immediately following election of the members by shareholders.

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

The responsibilities of the Committee include:

- developing and maintaining effective systems of internal control;
- reviewing the need for and monitoring the function of the internal audit discipline;
- safeguarding the Group's asset;
- 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; and
- reviewing both the risks facing the Group and the risk management process.

management process

The Committee is satisfied that the appropriate risk management processes are in place. The effectiveness of the Committee is assessed annually and, based on the most recent assessment, it duly fulfilled its responsibilities during the reporting period in accordance with its 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 Group's designated auditors, are independent of the Company. The Committee confirms that the auditor and designated auditor are accredited by the JSE. The Committee, in consultation with the Chief Executive Officer, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2018 financial year. The budgeted fee is considered appropriate for the work that could reasonably have been foreseen at that time.

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

going concern assessment

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

annual financial statements and accounting policies

The Committee has reviewed the accounting policies and the financial statements of the Group and 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 were raised during the reporting period. The Committee fulfilled its mandate and recommended the Integrated Report for the year ending 31 March 2018 for approval to the Board.

The Board approved the financial statements on 30 July 2018 and the financial statements will be open for discussion at the Annual General Meeting.

David L Rose

Audit, Governance and Risk Committee Chairman

30 July 2018

remuneration and nominations committee report

background statement

The Remuneration and Nominations Committee is made up of J Michael Judin, who is an independent non-executive director and who serves as Chairman, and Letepe M Maisela, who is a non-executive director. The Chief Executive Officer, Merrick Abel, attends meetings by invitation to assist the Committee with information related to some of its deliberations, but is excluded from deliberations relating to his own remuneration. None of the directors are involved in decisions relating to their remuneration.

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

Details of meeting attendance are given on page 25.

responsibilities

The Committee's responsibilities include:

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

key objectives

Key objectives for the current period are to:

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

remuneration policy

remuneration philosophy

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

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

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

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

The remuneration policy incorporates the principles for ensuring compliance with the recommended practices of King IV and provides the Group with a basis for ensuring that it remunerates its employees fairly, responsibly and transparently, in order to ensure the realisation of the Group strategy and generating the best levels of performance over the short, medium and long terms.

remuneration elements and principles

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

The Group remunerates its employees on the following basis:

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

remuneration of non-executive directors

terms of service

Non-executive directors are appointed by shareholders at the Annual General Meeting. Group policy does, however, make allowance for interim Board appointments to be made between Annual General Meetings, as and if necessary. Interim appointees serve until the next Annual General Meeting, 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.

Mr JM Judin will retire by rotation at the Annual General Meeting to be held in November 2018 and, given his 20 years of service to the Board and the Group, will not be standing for re-election.

remuneration

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

Executive management reviews non-executive directors' remuneration on an annual basis and makes recommendations to the Board, which, in turn, proposes fees for approval by shareholders at the Annual General Meeting.

remuneration of executive directors

terms of service

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

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

external appointments

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. The executive directors do not hold any external professional appointments.

remuneration

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

Fixed remuneration may be complemented by performance bonuses, which may reach up to 75% 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 comprise the following:

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

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

short-term incentives

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

long-term incentives

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

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

implementation report

remuneration of non-executive directors

Non-executive directors receive a base fee plus an attendance fee per meeting. Fees proposed for the 2019 financial year are outlined in the table below and represent a 7% increase on those proposed for the 2018 year:

Role	Base fees R	Attendance fees per meeting R	Attendance fees at all scheduled meetings R
Chairperson	83 500	20 300	81 200
Non-executive directors	25 700	20 300	81 200
Chairman of Audit, Governance and Risk Committee	89 000	–	–
Chairman of Remuneration and Nominations Committee	14 000	–	–
Chairman of Social and Ethics Committee	14 000	–	–
Committee members – Audit, Governance and Risk Committee	–	9 100	27 300
Committee members – Remuneration and Nominations Committee	–	6 500	13 000
Committee members – Social and Ethics Committee	–	3 600	7 200

The fees given in the table are for individual roles. The aggregate fees any single director will earn for the 2019 financial year will be based on the combined fees for all roles performed and meetings attended.

The table below shows what the non-executive directors may be expected to earn for the 2019 financial year based on attendance at all scheduled meetings:

Non-executive director	Total fees year-end March 2019 (expected based on full attendance) R	Total fees year-end March 2018 (based on actual attendance) and subject to approval of special resolution by shareholders R
Cleopatra S Ntshingila	199 200	205 300
J Michael Judin	98 500	138 600
David L Rose	195 900	202 100
Letepe M Maisela	133 900	125 300
Total fees	**627 500**	**671 300**

remuneration of executive directors

Details of executive directors' remuneration are listed on page 65 of the Integrated Annual Report.

Details of remuneration paid to Prescribed Officers is set out on page 65 of the Integrated Annual Report.

In relation to the 2018 year, short-term incentives paid to executive directors are set out on page 65 of the Integrated Annual Report.

No long-term incentive awards were made to executive directors in the year ended March 2018. The Committee has, however, sanctioned the grant of share options as a retention tool in regard to executive directors and senior management, details of which will be released on SENS at the appropriate time.

implementation of remuneration policy

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

conclusion

The Committee, through its individual members, is satisfied that it has diligently fulfilled its mandate as required in terms of its Charter for the year ending 31 March 2018.

J Michael Judin

Remuneration and Nominations Committee Chairman

30 July 2018

social and ethics committee report

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

The Committee is chaired by Letepe M Maisela and further comprises Cleopatra S Ntshingila and Merrick Abel. Details of meeting attendance are given on page 25.

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

responsibilities

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

During the reporting period the Committee accordingly reviewed the following:

- Social indicators;
- Employment equity; and
- Skills development and training.

Primeserv promotes equal opportunities and fair treatment in employment and does not tolerate discrimination against any employee. Primeserv employees may exercise their rights in terms of the Basic Conditions of Employment Act (No. 75 of 1997) without fear of discrimination. All new employees are required to attend a formal induction programme where they are made aware of the various Group policies and procedures, as well as rights, duties and obligations. The Group's disciplinary practices are conducted in accordance with its Disciplinary Code and Procedures, which are in line with King IV. A formal grievance procedure is also in place to address 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. It actively develops its employees to empower them to fulfil more responsible positions within the Group, while also placing a concerted focus on increasing representation of historically disadvantaged individuals (HDIs) and women throughout the organisation, thereby reinforcing its diversity and meeting demographic representational requirements.

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

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

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

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

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

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

preferential procurement

Primeserv has a B-BBEE procurement programme in place, which is 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 these enterprises will ensure that the ripple effect of affirmative procurement is realised throughout the economy.

corporate social investment

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

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

The Group is a long-standing partner and benefactor of the Siyakhula Trust, which works with rural youth to develop leadership skills and capability. The Group makes available financial, professional and skills transfer assistance. We also provide ongoing support to disadvantaged children in informal settlements and to hearing impaired learners at St Vincent's School for the Deaf.

A newly launched initiative, managed by internal volunteers, aims to support animal welfare initiatives in our communities.

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

Our CSI initiatives are close to our hearts and the professional planning and implementation of these initiatives is both a core objective and a privilege

ethical indicators

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

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

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

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

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

corporate governance and risk management
(continued)

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

30 July 2018

annual financial statements 2018

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directors' approval and responsibility statement

for the year ended 31 March 2018

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 2008 and the JSE Limited Listings Requirements. Applicable accounting assumptions have been used while prudent judgements and estimates have been made.

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

The going-concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the 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 Mr R Sack, Financial Director.

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

The annual financial statements were approved by the Board of Directors on 30 July 2018, and signed on its behalf by:

CS Ntshingila	M Abel	R Sack
Independent Non-executive Chairperson	*Chief Executive Officer*	*Financial Director*

level of **assurance**

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of 2008.

Auditors Mazars *Registered Auditors*	Preparer R Sack *Financial Director*

30 July 2018

statement of **compliance by the company secretary**

For the year ended 31 March 2018, 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 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
30 July 2018

audit, governance and risk committee report

for the year ended 31 March 2018

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 17 November 2017 to hold office until the conclusion of the annual general meeting to be held on 23 November 2018. 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 23 November 2018. The members proposed for the Committee are DL Rose and CS Ntshingila, both of whom are independent non-executive directors with the required skills and expertise, as outlined in the King IV Report on Corporate Governance.

JM Judin has not offered himself for re-election as a director of the Company. The Company is presently engaged in a search for a suitable independent and appropriately qualified person to serve as a replacement. Based upon the timing of the appointment, the Company will either, prior to the AGM, issue a notice to shareholders containing resolutions for the election of such person as an independent non-executive director of the Company and as a member of the Audit Committee, or, should the post not be timeously filled, will make an interim appointment of such person as soon as possible after the date of the AGM when JM Judin's appointment will cease to be of effect, with confirmation by shareholders to follow at the next AGM.

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 23 November 2018. 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 partners and staff responsible for the audit comply with all legal and professional requirements in relation to independence. The Committee is satisfied that the external auditor complies with the JSE Listings Requirements and is independent of the Group.

The Committee, in consultation with the Chief Executive Officer, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2018 financial year. The budgeted fee is considered appropriate for the work that could reasonably have been foreseen at that time.

Non-audit services rendered by the auditor are governed by a formal procedure and each engagement letter for such services, where material, is reviewed and approved by the Committee. No such services have been rendered during the year ended 31 March 2018.

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

The Committee meets at least once a year with the auditors without the presence of any executive directors or management.

This is the second year that Mazars has conducted the audit.

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

RISK MANAGEMENT

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

The Committee utilises a heat risk mapping process aimed at identifying key risk areas and key performance indicators. It assesses and addresses, *inter alia,* physical and operational risk, HR risk, technology risk, business continuity and disaster recovery, credit and market risk and governance and compliance risk. This assists the Board in its assessment and management of risk.

FINANCIAL RISK MANAGEMENT

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

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

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

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

OPERATIONAL RISK MANAGEMENT

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

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

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

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

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

ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Committee has reviewed the accounting policies and the 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, the SAICA Financial Reporting Guides, the JSE Limited Listings Requirements and the requirements of the Companies Act of 2008. Issues involving significant judgement are set out in the summary of accounting policies.

A process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the Group 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 2018 for approval to the Board. The Board approved the financial statements on 30 July 2018 and the financial statements will be open for discussion at the Annual General Meeting.

JSE PROACTIVE MONITORING

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

GROUP FINANCIAL DIRECTOR AND FINANCIAL FUNCTION

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

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

APPROVAL

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

Signed on behalf of the Audit, Governance and Risk Committee

DL Rose
Chairman of the Audit, Governance and Risk Committee

30 July 2018

directors' report

for the year ended 31 March 2018

NATURE OF BUSINESS

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

FINANCIAL RESULTS

The financial results of the Company and of the Group are set out on pages 46 to 75 of this report and in our opinion require no further comment. A review of the Group's results and performance of the business units is contained in the Chief Executive Officer's report on pages 20 to 22.

SHARE CAPITAL

Details of the authorised and 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.

	2018	2017
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 2019 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

During the year the Company paid a final dividend of 2.00 cents per share in relation to the financial year ended 31 March 2017, and an interim dividend of 1.50 cents per share in relation to the financial year ended 31 March 2018.

On 14 June 2018 a final dividend of 1.60 cents per share was declared in relation to the financial year ended 31 March 2018. The dividend which will be reflected in the 2019 financial year, may be subject to dividend withholding tax, where applicable.

Type	Payment date	Dividend per share (gross, before any applicable withholding tax)	In relation to financial year ended 31 March
Final	12 August 2016	1.35	2016
Final	21 July 2017	2.00	2017
Interim	15 January 2018	1.50	2018
Final	23 July 2018	1.60	2018

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, CS Ntshingila and JM Judin retire as directors at the forthcoming annual general meeting. CS Ntshingila being eligible, offers herself for re-election.

COMPANY SECRETARY

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

SUBSIDIARY COMPANIES

Details of the Company's interest in its subsidiaries are set out in note 14.

DIRECTORS' INTERESTS

As at 31 March 2018, the aggregate direct and indirect beneficial interests of directors in the fully paid issued share capital of the Company were:

Shares held by:	2018 Beneficial	2017 Beneficial
Executive directors		
M Abel	21 547 843	21 547 843
R Sack	509 500	509 500
Non-executive directors		
JM Judin	950 000	950 000
LM Maisela	55 000	55 000
DL Rose*	70 000	70 000
CS Ntshingila	50 000	50 000
Total	23 182 343	23 182 343

** This shareholding is held in a trust.*

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

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

There has been no material change in the directors' interest in the issued share capital between 31 March 2018 and the date of this report.

EQUIPMENT AND VEHICLES

The Group acquired equipment and vehicles at a cost of R3.3 million (2017: R1.4 million) (Company R0.7 million (2017: 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 Statements of Financial Position or the Statements of Comprehensive Income or are disclosable events.

DISCLOSURES

The Board has considered the disclosure of accounting policies and only details those policies in the Annual Financial Statements that are significant to the Company and 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 49 to 75 which comprise the statements of financial position as at 31 March 2018, and the statements of profit or loss and other 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 2018, 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:

Matter	Audit response
Valuation of goodwill (note 12) Goodwill comprises 12% of the total assets of the group. As required by the applicable accounting standards, senior management conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. In order to establish whether an impairment exists, the value in use is determined and compared to the net book value of the goodwill. As detailed in note 12, this determination of an impairment is highly subjective as significant judgement is required in determining the value in use as appropriate. The value in use is based on the discounted cash flow models for each cash-generating unit and requires the estimation and the determination model assumptions, including: • future revenue; • operating margins; • interest rates; and • discount rates applied to projected future cash flows The impairment test performed on goodwill is considered to be a key audit matter due to the extent of judgement and estimation involved.	Critical assessment, with the assistance of our valuation experts, as to whether the model used by management to calculate the value in use of the individual and lowest CGUs complies with the requirements of IAS 36 Impairment of Assets. This included: • assessing the assumptions used to determine discount rates and recalculation of these rates; • analysing the future projected cash flows used in models to determine the reasonability and attainability given the current macroeconomic climate and expected future performance of cash generating units; • subjecting key assumptions to sensitivity analyses; and • assessing the reasonability of forecast assumptions by: – Comparing the forecast numbers to actual results for 2018; – Discussions with management as to reasons for deviations; – Corroborating reasons obtained from management above to supporting documentation; and – Assessing the adequacy and reliability of budgeting techniques. • Reviewing the adequacy of disclosure as required in terms of IAS 36.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the directors' report, the Audit, Governance and Risk Committee's report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, 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 two years.

Mazars.

Mazars

Registered Auditors
Partner: Munesh Patel
Registered Auditor

Date: 30 July 2018

statements of **profit or loss and other comprehensive income**

for the year ended 31 March 2018

		Group		Company	
	Notes	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Revenue	1	725 289	642 122	19 152	13 056
Cost of sales	2	(618 287)	(540 905)	–	–
Gross profit		107 002	101 217	19 152	13 056
Other income		1 069	1 139	6 848	3 052
Operating expenses		(85 817)	(80 749)	(13 775)	(7 889)
Operating profit	3	22 254	21 607	12 225	8 219
Interest received		268	291	4 910	178
Interest paid		(2 249)	(2 385)	(6 902)	(4)
Profit before taxation		20 273	19 513	10 233	8 393
Taxation	4	(586)	(2 770)	512	(1 485)
Profit and total comprehensive income		19 687	16 743	10 745	6 908
Profit and total comprehensive income attributable to:					
Ordinary shareholders of the Company		19 544	16 008	–	–
Non-controlling interest		143	735	–	–
Profit and total comprehensive income		19 687	16 743	–	–
Basic earnings per share and diluted earnings per share (cents)	5	21.70	17.77		

statements of **financial position**

as at 31 March 2018

		Group		Company	
	Notes	2018 R'000	2017 R'000	2018 R'000	2017 R'000
ASSETS					
Non-current assets		44 936	43 292	182 554	167 412
Equipment and vehicles	6	5 514	3 513	806	196
Investment property	11	6 445	7 045	–	–
Goodwill	12	21 178	21 178	–	–
Intangible assets		646	–	–	–
Investment in subsidiaries	13	–	–	99 056	99 056
Preference dividend receivable	13	–	–	64 329	57 481
Loans to group companies and share trust	14	–	–	17 796	10 625
Deferred tax asset	7	11 153	11 556	567	54
Current assets		127 311	132 781	43 858	69 521
Inventories		162	177	–	–
Trade and other receivables	8	122 707	129 907	2 336	11 644
Loans to group companies and share trust	14	–	–	38 097	56 251
Taxation receivable		–	634	–	–
Cash and cash equivalents		4 442	2 063	3 425	1 626
Total assets		172 247	176 073	226 412	236 933
EQUITY AND LIABILITIES					
Capital and reserves		122 686	106 170	158 924	152 640
Ordinary share capital and share premium	15	2 672	2 672	2 672	2 672
Retained earnings		144 406	128 033	(1 512)	(7 796)
Non-distributable reserves	16	–	–	159 812	159 812
Treasury shares		(16 279)	(16 279)	(2 048)	(2 048)
Equity attributable to equity holders of the Company		130 799	114 426	158 924	152 640
Non-controlling interests		(8 113)	(8 256)	–	–
Current liabilities		49 561	69 903	67 488	84 293
Trade and other payables	9	36 498	31 810	395	4 416
Loans from group companies	14	–	–	67 093	79 877
Bank borrowings	10	13 063	38 093	–	–
Total equity and liabilities		172 247	176 073	226 412	236 933

statements of **changes in equity**

for the year ended 31 March 2018

	Share capital R'000	Share premium R'000	Retained earnings R'000	Treasury shares R'000	Equity attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
Group							
Opening 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)
Balances at 1 April 2017	1 321	1 351	128 033	(16 279)	114 426	(8 256)	106 170
Total comprehensive income – profit	–	–	19 544	–	19 544	143	19 687
Dividends paid (3.50 cents per share)	–	–	(3 171)	–	(3 171)	–	(3 171)
Closing balances at 31 March 2018	1 321	1 351	144 406	(16 279)	130 799	(8 113)	122 686
Notes	15	15					

	Share capital R'000	Share premium R'000	Retained earnings R'000	Treasury shares R'000	Non-distributable reserve R'000	Total equity R'000
Company						
Opening balances at 1 April 2016	1 321	1 351	(12 984)	(2 048)	159 812	147 452
Total comprehensive income – profit	–	–	6 908	–	–	6 908
Dividends paid (1.35 cents per share)	–	–	(1 720)	–	–	(1 720)
Balances at 1 April 2017	1 321	1 351	(7 796)	(2 048)	159 812	152 640
Total comprehensive income – profit	–	–	10 745	–	–	10 745
Dividends paid (3.50 cents per share)	–	–	(4 461)	–	–	(4 461)
Closing balances at 31 March 2018	1 321	1 351	(1 512)	(2 048)	159 812	158 924
Notes	15	15			16	

statements of **cash flows**

for the year ended 31 March 2018

		Group		Company	
	Notes	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Cash flows generated from/(utilised in) operating activities		34 554	(6 459)	11 647	419
Profit before taxation		20 273	19 513	10 233	8 393
Adjustments		3 908	5 111	(4 455)	(3 129)
– interest received		(268)	(291)	(4 910)	(178)
– interest paid		2 249	2 385	6 902	4
– loss on disposal of equipment and vehicles		69	–	–	–
– Depreciation, amortisation and impairments	6 & 11	1 858	3 017	57	98
– Preference dividends accrued		–	–	(6 848)	(3 053)
Non-cash management fee transactions in loans to group companies		–	–	(12 000)	–
Non-cash management fee transactions in loans from group companies		–	–	6 000	–
Non-cash operating expenses in loans from group companies		–	–	6 344	–
Operating cash flows before working capital changes		24 181	24 624	5 778	5 264
Working capital changes		11 903	(28 989)	5 753	(5 019)
– decrease/(increase) in inventories		15	(74)	–	–
– decrease/(increase) in trade and other receivables		7 200	(41 337)	9 786	(8 373)
– increase/(decrease) in trade and other payables		4 688	12 422	(4 033)	3 354
Cash generated from/(utilised in) operations		36 084	(4 365)	11 531	245
Interest received		268	291	119	178
Interest paid		(2 249)	(2 385)	(3)	(4)
Taxation refunded		451	–	–	–
Cash flows (utilised in)/generated from investing activities		3 974	(4 457)	2 763	1 002
Purchase of equipment and vehicles	6	(3 351)	(1 449)	(668)	(42)
Proceeds on disposal of equipment and vehicles		23	–	–	–
Acquisition of contracts		(646)	(3 008)	–	–
Advances to share trust		–	–	–	349
Loans to group companies – amounts advanced		–	–	(1 069)	–
Loans to group companies – amounts repaid		–	–	4 500	695
Cash flows utilised in financing activities		(3 171)	(1 216)	(12 611)	(7 688)
Loans from group companies – amounts received		–	–	43 854	–
Loans from group companies – amounts repaid		–	–	(52 004)	(5 968)
Dividends paid		(3 171)	(1 216)	(4 461)	(1 720)
Net increase/(decrease) in cash and cash equivalents		27 409	(12 132)	1 799	(6 267)
Cash and cash equivalents at beginning of year		(36 030)	(23 898)	1 626	7 893
Cash and cash equivalents at end of year	A	(8 621)	(36 030)	3 425	1 626

note to the statements of **cash flows**

for the year ended 31 March 2018

		Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
A.	**CASH AT BANK AND BORROWINGS**				
	Cash at bank	4 442	2 063	3 425	1 626
	Bank borrowings	(13 063)	(38 093)	–	–
		(8 621)	(36 030)	3 425	1 626

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
1. REVENUE				
Revenue comprises:				
Services rendered	715 509	630 774	19 152	13 056
Fair value adjustment to revenue	9 780	11 348	–	–
	725 289	642 122	19 152	13 056
2. COST OF SALES				
Cost of sales comprises:				
Staffing Services – payroll and associated costs	600 543	520 186	–	–
Training and Consulting Services	17 744	20 719	–	–
	618 287	540 905	–	–
3. OPERATING PROFIT				
Operating profit is stated after taking into account the following:				
Depreciation and amortisation	1 258	2 274	58	97
Operating lease rentals	6 572	6 668	–	–
– Equipment and vehicles	1 827	2 528	–	–
– Premises	4 745	4 140	–	–
Employee costs and benefits	52 593	48 464	–	–
Staff costs – short term	49 638	45 772	–	–
Retirement costs	2 955	2 692	–	–
Fair value impairment of Investment Property	600	600	–	–
4. TAXATION				
SA normal taxation				
– current	–	–	–	–
Deferred tax				
– current	(2 993)	(2 673)	(948)	(1 485)
– prior period – change in estimate	2 590	–	1 460	–
Dividend withholding tax	(183)	(97)	–	–
	(586)	(2 770)	512	(1 485)
	%	%	%	%
Tax rate reconciliation				
Statutory tax rate	28.0	28.0	28.0	28.0
Employment tax incentives	(16.4)	(17.4)	–	–
Dividend withholding tax	0.9	–	–	–
Deferred tax – change in estimate	(13.4)	–	(14.3)	–
CGT rate on fair value of investment property	(2.0)	–	–	–
Non-taxable preference dividends	–	–	(18.7)	–
Disallowable expenses	–	3.6	–	(0.2)
Effective tax rate	(2.9)	14.2	(5.0)	27.8

The estimated tax losses available for set-off against future taxable income are R60 168 000 (2017: R50 711 000). Company: R2 342 000 (2017 : R39 000).

	Group	
	2018 R'000	2017 R'000

5. EARNINGS PER SHARE

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

	2018 R'000	2017 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	–	–
Weighted average shares at the end of the year	90 064	90 064
Attributable earnings	19 544	16 008
Basic earnings and diluted earnings per share (cents)	21.70	17.77
Headline earnings per share		
Attributable earnings	19 544	16 008
Headline earnings adjustments (net of tax effect)		
– Loss on disposal of equipment and vehicles	48	171
– Impairment of investment in property	346	466
– Impairment of intangible assets	–	234
Attributable headline earnings	19 938	16 879
Earnings and diluted headline earnings per share (cents)	22.14	18.74

6. EQUIPMENT AND VEHICLES

	Computer equipment R'000	Motor vehicles R'000	Furniture, fittings and equipment R'000	Total R'000
Group				
2018				
Cost	4 289	453	5 612	10 354
Accumulated depreciation and impairment	(3 144)	(207)	(3 490)	(6 841)
Net book value at beginning of year	1 145	246	2 122	3 513
Additions	373	–	2 978	3 351
Disposals at book value	(61)	–	(31)	(92)
Depreciation	(297)	(102)	(859)	(1 258)
Net book value at end of year	1 160	144	4 210	5 514
Cost	4 507	453	8 396	13 356
Accumulated depreciation and impairment	(3 347)	(309)	(4 186)	(7 842)
Net book value at end of year	1 160	144	4 210	5 514
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

6. EQUIPMENT AND VEHICLES CONTINUED

Company

	Computer equipment R'000	Motor vehicles R'000	Furniture, fittings and equipment R'000	Total R'000
2018				
Cost	605	–	537	1 142
Accumulated depreciation and impairment	(553)	–	(393)	(946)
Net book value at beginning of year	52	–	144	196
Additions	39	–	629	668
Depreciation	(15)	–	(43)	(58)
Net book value at end of year	76	–	730	806
Cost	644	–	1 166	1 810
Accumulated depreciation and impairment	(568)	–	(436)	(1 004)
Net book value at end of year	76	–	730	806
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

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
7. DEFERRED TAX ASSET				
Computed tax losses	10 634	9 568	656	11
Payroll payables, accruals and allowances for impairments	1 630	3 197	–	43
Prepayments	(218)	(509)	(89)	–
Capital gains tax on fair value adjustments	(286)	(286)	–	–
Work in progress	(607)	(414)	–	–
	11 153	11 556	567	54
Reconciliation between deferred tax opening and closing balance				
Deferred tax opening balance	11 556	14 229	54	1 540
Computed tax losses	1 066	(3 200)	645	(2 405)
Payroll payables, accruals and allowances for impairments	(1 567)	1 299	(43)	918
Prepayments	291	(358)	(89)	1
Work in progress	(193)	(414)	–	–
Deferred tax	11 153	11 556	567	54

Tax losses of R46.3 million (2017: R34.2 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 – R2 378 000 (2017: R39 000).

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
8. TRADE AND OTHER RECEIVABLES				
Trade receivables	118 510	125 651	–	–
	4 197	4 256	2 336	11 644
Other receivables	3 419	2 439	2 336	11 644
Prepayments	778	1 817	–	–
	122 707	129 907	2 336	11 644

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. Refer note 10.

Based on the historic level of customer defaults, the risk covered by credit insurance contracts and the VAT component recoverable from SARS, the credit quality of year-end trade receivables which are 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 2018, trade receivables of R5 892 000 (2017: R21 468 000) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
The ageing of trade receivables past due, but not impaired, is as follows:				
One month overdue	2 882	7 972	–	–
Two months overdue	202	7 339	–	–
Three months and more overdue	2 808	6 157	–	–
	5 892	21 468	–	–
Allowance for impairment (bad debt provision)				
Balance at beginning of year	1 440	305	–	5 100
Increase in allowance and impairments recognised in profit or loss	124	1 854	–	3 350
Application of provision against debtors	(1 005)	(719)	–	(8 450)
Balance at end of year	559	1 440	–	–

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

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
9. TRADE AND OTHER PAYABLES				
Trade payables	14 080	9 123	395	4 416
Payroll payables	22 418	22 687	–	–
	36 498	31 810	395	4 416

Due to the short-term nature of the trade and other payables, the fair value approximates the carrying value.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
10. BANK BORROWINGS				
The Group's Staffing Services segment is funded through an invoice discounting facility that bears interest at the prime bank overdraft rate less 0.5% per annum (2017: prime overdraft rate).	13 063	38 093	–	–
	13 063	38 093	–	–

The facilities are secured through a combination of the cession of the debtor cover policies held with Credit Guarantee Insurance Corporation of Africa Limited and cross-surety arrangements between the Group companies. The Group has also undertaken not to reduce its tangible equity to below R35 750 000 (2017: R35 750 000).

The Group has a debtor finance facility of R54 million (2017: R71 million) utilised by various subsidiaries. At year-end the unutilised amount was R41.0 million (2017: R33.0 million). Facilities revolve month-to-month.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
11. INVESTMENT PROPERTY				
Opening value	7 045	7 645	–	–
Fair value adjustment	(600)	(600)	–	–
Properties at fair value	6 445	7 045	–	–

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 house and vacant stands are being held for capital appreciation.

The valuations were performed by a management expert, Brian Jeffrey Mylod, owner of Smitties Estates, appraiser appointed in terms of section 6 of the Administration of Estates Act of 1965 for the district of Parys, as well as member of the Valuation Court of Parys.

The valuations have been performed on the comparable sales approach, which has been assessed as the highest and best use of the property, which does not differ to the intended use by the group. The comparable sales approach takes into account recent sales in the area under current market conditions of similar properties.

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

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

Income of R11 000 (2017: R40 000) was earned from the investment property during the year.

Operating costs incurred primarily relate to the payment of levies, power and water charges and totalled R129 000 (2017: R124 000).

	Group 2018 R'000	Group 2017 R'000
12. GOODWILL		
Goodwill has been allocated for impairment testing purposes to the Group's subsidiaries, 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 23, as follows:		
Staffing Services	18 020	18 020
Training and Consulting Services	3 158	3 158
Total goodwill excluding impairment	**21 178**	**21 178**
The impairment calculations performed indicated that no impairment of goodwill was necessary.		
Goodwill is attributable to the following cash-generating units:		
Bathusi Staffing Services Proprietary Limited	4 877	4 877
Primeserv Corporate Solutions Proprietary Limited	3 158	3 158
Primeserv Denverdraft Proprietary Limited	5 738	5 738
Primeserv Staff Dynamix Proprietary Limited	7 405	7 405
	21 178	21 178

Impairment

The recoverable amount of the cash-generating units has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on the financial budget approved by management covering the next financial year and a discount rate of 20% (2017: 20%). Cash flows beyond the next year have been extrapolated for a further 9 (2017: 9) years, at 10% (2017: 10%) growth in years two to five and 7% (2017: 7%) thereafter, which the directors believe is justified as it is a reasonable minimum period to expect the Group's operations to continue.

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

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

	Company 2018 R'000	Company 2017 R'000
13. NET INVESTMENT IN SUBSIDIARIES AND ACCRUED DIVIDENDS		
Ordinary shares at cost	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	64 329	57 481
Net investment in subsidiaries	**163 385**	**156 537**

	Country of incorporation	Ordinary share capital R	Portion held directly or indirectly by holding company %	Ownership portion and voting rights of non-controlling interests %
14. DETAILS OF SUBSIDIARY COMPANIES AND SHARE TRUST				
Bathusi Staffing Services Proprietary Limited*	South Africa	100	45.0	55.0
Empvest Outsourcing Proprietary Limited*	South Africa	1 000	35.8	64.2
Primeserv ABC Recruitment Proprietary Limited	South Africa	100	74.2	25.8
Primeserv Consulting Proprietary Limited	South Africa	100	74.2	25.8
Primeserv Corporate Solutions Proprietary Limited	South Africa	100	74.2	25.8
Primeserv Denverdraft Proprietary Limited	South Africa	100	99.0	1.0
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 Recruitment Services Proprietary Limited	South Africa	100	100.0	–
Primeserv Staff Dynamix Proprietary Limited	South Africa	100	74.2	25.8
Primeserv Group Share Trust	South Africa	–	–	–
Impairment provision				
Amounts owing by subsidiaries and share trust				
Amounts owing to subsidiaries				

Notes

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

The Training and Consulting Services businesses operate through Primeserv Corporate Solutions Proprietary Limited and Primeserv Recruitment Services Proprietary Limited.

The Staffing Services 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 and the Primeserv Group Share Trust are the entities nominated to acquire shares in the holding company.

Primeserv Consulting Proprietary Limited is dormant.

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

The loans bear interest at the bank prime overdraft rate less 0.5% per annum (2017 – nil), are unsecured and have no terms of repayment. The carrying value of the loans approximates the fair value of the loans, as the loans bear interest at market-related interest rates. Loans are considered to be of good credit quality unless there are contrary indications.

** 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 unilaterally. 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.

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 %	Carrying amount of investment in subsidiaries 2018 R'000	Carrying amount of investment in subsidiaries 2017 R'000	Amounts owing by/(to) subsidiaries 2018 R'000	Amounts owing by/(to) subsidiaries 2017 R'000
				–	–	5 531	5 040
				–	–	1 276	1 163
370	100	448	74,2	46 827	46 827	15 048	25 460
				–	–	(437)	(398)
37	100	618	74,2	–	–	(1 245)	3 102
				–	–	7 133	6 431
392	100	276	74,2	52 229	52 229	(60 266)	(74 598)
				–	–	382	704
				–	–	21	19
				–	–	21	19
				–	–	–	–
				–	–	–	–
				–	–	(5 143)	(4 625)
				–	–	18 094	16 167
				–	–	10 240	10 625
				–	–	(1 854)	(2 110)
799		1 342		99 056	99 056	(11 200)	(13 001)
						55 893	66 876
						(67 093)	(79 877)
						(11 200)	(13 001)

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 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 (2017: 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.

	For service as directors R'000	Re-muneration R'000	Retirement benefits R'000	Other benefits R'000	Bonuses R'000	Total R'000
	Short-term benefits					
17. DIRECTORS' REMUNERATION						
Group						
2018						
Executive directors	–	5 302	470	331	970	7 073
M Abel	–	3 940	363	147	695	5 145
R Sack	–	1 362	107	184	275	1 928
Non-executive directors	370	–	–	–	–	370
JM Judin	68	–	–	–	–	68
LM Maisela	72	–	–	–	–	72
CS Ntshingila	111	–	–	–	–	111
DL Rose	119	–	–	–	–	119
	370	5 302	470	331	970	7 443
2017						
Executive directors	–	5 190	462	241	985	6 878
M Abel	–	3 790	351	73	620	4 834
R Sack	–	1 302	103	156	365	1 926
DC Seaton*	–	98	8	12	–	118
Non-executive directors	563	–	–	–	–	563
JM Judin	132	–	–	–	–	132
LM Maisela	102	–	–	–	–	102
CS Ntshingila	154	–	–	–	–	154
DL Rose	175	–	–	–	–	175
	563	5 190	462	241	985	7 441

** Resigned as a director on 21 April 2016.*

There are no executive directors for whom the remaining period of the service-contract exceeds three years and the notice period exceeds six months. Non-executive remuneration was not approved at the Annual General Meeting and therefore amounts reflected relate only to the period up to that date.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
18. KEY MANAGEMENT REMUNERATION				
Key management remuneration	5 752	4 168	–	–

19. 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 R3.0 million (2017: R2.7 million).

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

20. RISK MANAGEMENT

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

Market risk

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

Interest rate risk

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

The Group analyses its exposure to interest rate risk on a dynamic basis using sensitivity analysis to assess the effects of changes in interest rates applied to interest-bearing borrowings and the consequent adjustments to profit and loss. Based on these analyses, which are calculated on adjustments of 50 basis points in the interest rate, being management's assessment of the reasonably possible changes in interest rates, the effect on pre-tax earnings of an increase/decrease in the rate is calculated to be a decrease/increase in earnings of R34 000 (2017: R143 000). The Group's sensitivity to interest rates has significantly decreased during the current year due to the decrease in borrowings at year-end.

Liquidity risk

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

The Group maintains cash and cash equivalents with various 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 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 R'000	Two to three months R'000	Four to six months R'000	Seven to twelve months R'000	More than a year R'000	Carrying amount R'000
Group						
2018						
Trade and other payables	14 080	–	–	–	–	14 080
Bank borrowings*	13 063	–	–	–	–	13 063
	27 143	–	–	–	–	27 143
2017						
Trade and other payables	9 123	–	–	–	–	9 123
Bank borrowings*	38 093	–	–	–	–	38 093
	47 216	–	–	–	–	47 216
Company						
2018						
Trade and other payables	395	–	–	–	–	395
Loans from related companies	67 093	–	–	–	–	67 093
	67 488	–	–	–	–	67 488
2017						
Trade and other payables	4 416	–	–	–	–	4 416
Loans from related companies	79 877	–	–	–	–	79 877
	84 293	–	–	–	–	84 293

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

20. 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, preference dividend receivable 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 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.

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

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 10, 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 R'000	Level 2 R'000	Level 3 R'000
2018			
Investment property	–	–	6 445
2017			
Investment property	–	–	7 045

21. RELATED PARTY TRANSACTIONS

Subsidiary companies

The subsidiary companies are identified in note 14.

Directors

The names of the directors are listed on page 16. Refer to note 17 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. Loans were advanced to M Abel for Rnil (2017: R126 000) and R Sack for Rnil (2017: R140 000). These amounts were 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	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Transactions with subsidiary companies				
Management fees/cost recoveries from subsidiaries	–	–	19 152	13 056
Preference dividends from subsidiaries	–	–	6 848	3 052
Preference dividends receivable	–	–	64 329	57 481
Interest income	–	–	4 791	–
Interest expense	–	–	6 898	–
Amounts included in trade receivables – interest expense – owing by related parties				
Subsidiaries	–	–	1 236	9 468
Amounts included in trade payables – owing to related parties				
Subsidiaries	–	–	3	3 395

22. OPERATING LEASE COMMITMENTS

Operating lease commitments

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Future operating lease charges for premises and equipment and vehicles				
Payable within one year				
– premises	3 428	3 215	–	–
– vehicles and equipment	843	1 330	–	–
	4 271	4 545	–	–
Payable two to five years				
– premises	6 224	8 655	–	–
– vehicles and equipment	1 662	1 691	–	–
	7 886	10 346	–	–

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

23. SEGMENTAL ANALYSIS – OPERATING SEGMENTS

	Staffing Services R'000	Training and Consulting Services R'000	Shared Services R'000	Group consolidated R'000
2018				
Net profit/(loss) before taxation	36 145	(5 960)	(9 912)	20 273
Taxation	(5 806)	1 669	3 551	(586)
Net profit/(loss) after taxation	30 339	(4 291)	(6 361)	19 687
Revenue: sales to external customers	688 229	24 626	–	712 855
Revenue: deemed fair value adjustment for external customers	9 360	420	–	9 780
Revenue: inter-segment revenue	–	30	–	30
Operating profit/(loss)	38 182	(5 901)	(10 027)	22 254
Depreciation, amortisation and impairments	(1 113)	(539)	(943)	(2 595)
Operating lease rentals	5 150	1 422	–	6 572
Employee costs and benefits	37 191	8 329	7 073	52 593
Interest received	150	–	118	268
Interest paid	(2 187)	(59)	(3)	(2 249)
Assets	134 868	13 244	24 136	172 248
Liabilities	35 832	1 397	12 333	49 562
Net assets	99 036	11 847	11 803	122 686
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, amortisation and impairments	(1 556)	(347)	(1 065)	(2 968)
Operating lease rentals	5 173	1 495	–	6 668
Employee costs and benefits	33 630	7 956	6 878	48 464
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

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

The Group's operating segments are Staffing 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.

23. SEGMENTAL ANALYSIS – OPERATING SEGMENTS CONTINUED

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 Services segment provides flexible and permanent staffing solutions.

The Training and Consulting Services segment provides vocational skills training, a comprehensive range of corporate and technical training services and HR consulting solutions.

Segment results, which are based on internal management reporting are regularly reviewed by the Group's executive management and have been reconciled to the Group's profit before taxation. External revenue, total assets and total liabilities as disclosed in the segment analysis agree to the corresponding amounts as disclosed in the annual financial statements. 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	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
24. FINANCIAL ASSETS BY CATEGORY				
Trade receivables	118 510	125 651	–	–
Cash and cash equivalents	4 442	2 063	3 425	1 626
Preference dividends receivable	–	–	64 329	57 481
Loans to group companies	–	–	55 893	66 876
Total loans and receivables	122 952	127 714	123 647	125 983
25. FINANCIAL LIABILITIES BY CATEGORY				
Trade payables	14 080	9 123	395	4 416
Loans from group companies	–	–	67 093	79 877
Bank borrowings	13 063	38 093	–	–
Total financial liabilities at amortised cost	27 143	47 216	67 488	84 293

26. EVENTS AFTER REPORTING PERIOD

A dividend of 1.60 cents per share was declared on 14 June 2018, payable to shareholders recorded in the register on 23 July 2018.

PRINCIPAL ACCOUNTING POLICIES

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

BASIS OF PREPARATION

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

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

JUDGEMENTS AND ESTIMATES MADE BY MANAGEMENT

Estimates

Carrying value of goodwill

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

The following key assumptions were applied:

Growth rate	10% (2017: 10%) for years two to five, and 7% (2017: 7%) thereafter
Discount rate	20% (2017: 20%)

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

The companies all operate in South Africa and across similar industries and as such a consistent discount rate of 20% (2017: 20%) was used across all cash-generating units. 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.

Recoverability of investments in subsidiaries

The Group periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

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 the comparable sales approach which takes into account recent sales histories.

Judgements

Assessment of control

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

The trust is funded by a loan and dividends received from Primeserv Group Limited. In the judgement of management, the Group controls the trust in accordance with IFRS 10.

PRINCIPLES OF CONSOLIDATION AND GOODWILL

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

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 amount of these investments is reviewed annually and impaired where considered necessary.

The Group Share Incentive Trust is included in the Company standalone 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.

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

NON-CONTROLLING INTEREST

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

REVENUE

Group revenue consists of services rendered to customers and 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 placements fees and consulting and training fees. Fees received in advance are recognised over the period of the course or project and take into consideration the stage of completion. Income received on long-term staff supply and training contracts is recognised as it is earned. The different revenue streams are indicated in the Group's segmental report and comprise revenue from Staffing Services and from Training and Consulting Services. Company revenue consists of income for management activities from group companies, which is eliminated on consolidation.

COST OF SALES

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

LEASES

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.

TAXATION

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

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

EMPLOYEE BENEFITS

Short-term employee benefits

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

Retirement benefits

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

BORROWING COSTS

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

EQUIPMENT AND VEHICLES

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

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

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

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

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

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

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

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

INVESTMENT PROPERTY

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value with fair value changes recognised in profit or loss as investment gains or losses.

The fair value of investment property is based on valuation information at the reporting date.

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.

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.

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

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

Financial assets
Loans and receivables
Trade and other receivables, preference dividend receivable and loans to group companies and share trust are classified as loans and receivables.

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

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

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

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

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

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

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

TREASURY SHARES

Shares in the holding company held by Group companies and the Share Incentive Trust are classified as treasury shares. The consideration paid for treasury shares is deducted from total shareholders' equity. 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.

SEGMENT REPORTING

The Group is primarily an HR services business and is organised into two main operating divisions, namely Staffing Services and Training and Consulting Services. A third division, Shared Services, provides support services. These divisions are the basis on which the Group reports its primary segment information for internal purposes to the chief operating decision-maker.

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

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

NEW STANDARDS AND INTERPRETATIONS

Adoption of new standards, amendments to standards and interpretations

- *IAS 7, Statement of Cash Flows: Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses) (effective 1 January 2017). Management concluded that this amendment has not had a material impact on the disclosure in the AFS.*

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

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

- *IFRS 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 Group's 2019 financial statements. Management anticipates that the new standard will not have a material impact.*
- *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 Group's 2019 financial statements. Management anticipates that the new standard will result in additional disclosure, but will not have a material impact on the recognition and measurement of revenue.*
- *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 a term of more that 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 assets together with the related lease liability.*

analysis of **shareholding**

as at 31 March 2018

	Number of shareholders	Number of shares held	Shareholding %
Portfolio size			
1 to 50 000	383	2 015 033	1.5
50 001 to 500 000	45	8 275 658	6.3
500 001 to 5 000 000	25	47 123 394	35.7
Over 5 000 000	4	74 648 658	56.5
	457	132 062 743	100.0
Category			
Directors, management and treasury shares	16	68 920 889	52.2
Nominee companies and schemes	4	1 536 050	1.2
Individual and other corporate bodies	437	61 605 804	46.6
	457	132 062 743	100.0
Interests of 5% or greater			
The Primeserv 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	16	68 920 889	52.2
Directors	6	23 182 343	17.6
Treasury shares	3	41 999 039	31.8
Other	7	3 739 507	2.8
Public shareholders	441	63 141 854	47.8
	457	132 062 743	100.0

market **statistics**

for the year ended 31 March 2018

		2018	2017
JSE Limited performance			
Year-end closing price of ordinary shares	(cents)	60	50
High closing price of ordinary shares	(cents)	90	60
Low closing price of ordinary shares	(cents)	45	40
Volume of shares traded	(millions)	1	9
Value of shares traded	(R'000)	608	4 575
Number of shares in issue			
Opening balance	(including treasury shares)	132 062 743	132 062 743
Closing balance	(including treasury shares)	132 062 743	132 062 743
Market capitalisation at year-end	(R'000)	79 238	52 825
Market capitalisation at year-end excluding treasury shares	(R'000)	54 038	36 241

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given, 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 Protea Hotel Wanderers, Corner of Corlett Drive and Rudd Road at 09:30 on 23 November 2018 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 2018, 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 46 to 75 of the Integrated Report. The complete Integrated Report of the Company is set out on the Company's website at www.primeserv.co.za/investor-relations.

In the case of shareholders who have elected to receive communication from the Company, a summary of the financial results has been distributed together with this notice.

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.

RESOLUTIONS

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 2019.

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:

- JM Judin
- CS Ntshingila

2.1 JM Judin, having served on the Board of the Company for 20 years has not offered himself for re-election.

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

An abridged *curriculum vitae* of CS Ntshingila is set out at page 16 of the Integrated Annual Report of the Company. The Board has evaluated the performance and contribution of CS Ntshingila and has recommended her re-election. 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 CS Ntshingila for the ensuing year. *

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

Abridged *curriculum vitae* of the Director offering herself for election is set out on page 16 of the Integrated Annual Report of the Company. The Board has reviewed the independence, expertise, qualification and relevant experience of the nominated Audit Committee members and recommends that each of the nominated directors is elected.

GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

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

- the approval shall be valid until the date of the next annual general meeting, provided it shall not extend beyond 15 months from the date of this resolution;
- the general issues of shares for cash in any one year may not exceed, in the aggregate, 10% of the Company's issued share capital (number of securities) of that class as at the date of the issue of this notice of AGM, it being recorded that the ordinary shares issued in consideration for acquisitions shall not diminish the number of ordinary shares that comprise the 10% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 10% of the issued ordinary shares amounts to 13 206 274 ordinary shares;
- in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of issue is agreed between the issuer and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30-day period;
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE, not to related parties;
- any such issue will only be of securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- if the securities represent, on a cumulative basis, 5% or more of the number of securities in issue, prior to that issue, an announcement containing full details of that issue shall be published on SENS.

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

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

ENDORSEMENT OF REMUNERATION POLICY

5. To approve, by way of a non-binding advisory vote, as required by the King Code of Governance Principles ("King IV"), Principle 18, the Group's remuneration policy, as set out in the Integrated Report on pages 32.

Ordinary resolution number 5 is of an advisory nature only and failure to pass this resolution will not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the Company's Remuneration Policy.

ENDORSEMENT OF REMUNERATION IMPLEMENTATION REPORT

6. To approve, by way of a non-binding advisory vote, as required by the King Code of Governance Principles ("King IV"), Principle 18, the Group's remuneration implementation report for the year ended 31 March 2018, as set out in the Integrated Report on page 35 .

Ordinary resolution number 6 is of an advisory nature only and failure to pass this resolution will not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the Company's Remuneration Policy and the implementation thereof.

Should more than 25% of the total votes cast be against either ordinary resolution 5 or ordinary resolution number 6, based upon the number of shareholders voting against the resolution, the members of the Remuneration Committee will engage directly with the shareholders concerned or the Company will issue an announcement on the Stock Exchange News Service inviting shareholders who voted against the resolution(s) to meet with members of the Remuneration Committee. The process to be followed will be set out in a SENS announcement.

AUTHORISATION OF DIRECTOR TO SIGN

7. 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

8. 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 Nomination Committee	13 100	–
Chairman of Social and Ethics Committee	13 100	–
Committee members		
– Audit	–	8 500
– Remuneration	–	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 for the 2018 financial year. Furthermore, in terms of the Listings Requirements and King IV, remuneration payable to non-executive directors should be approved by shareholders in advance or within the previous two years.

SPECIAL RESOLUTION NUMBER 2
REMUNERATION OF NON-EXECUTIVE DIRECTORS

9. To confirm the remuneration payable to the non-executive directors of the Company for the 2019 financial year and to the next annual general meeting as follows:

	Retainer R	Attendance fees per meeting R
Chairperson	83 500	20 300
Non-executive directors	25 700	20 300
Chairman of Audit, Governance and		–
Risk Committee	89 000	–
Chairman of Remuneration and Nominations Committee	14 000	–
Chairman of Social and Ethics Committee	14 000	–
Committee members		
– Audit	–	9 100
– Remuneration	–	6 500
– Social and Ethics	–	3 600

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

SPECIAL RESOLUTION NUMBER 3
FINANCIAL ASSISTANCE TO SUBSIDIARIES OR INTER-RELATED COMPANIES OF THE GROUP

10. "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.

SPECIAL RESOLUTION NUMBER 4
GENERAL AUTHORITY TO REPURCHASE SHARES

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

- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of this special resolution number 1, whichever period is shorter;

- in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be no more than 10% (ten percent) above the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty percent) of the Company's issued ordinary share capital from the date of the grant of this general authority;
- the Company and the Group are in a position to repay their debt in the ordinary course of business for the following year after the date of this notice of annual general meeting;
- the consolidated assets of the Group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the consolidated liabilities of the Company for the following year after the date of this notice of annual general meeting;
- the ordinary capital and reserves of the Company and the Group are adequate for the next 12 months after the date of this notice of annual general meeting;
- the available working capital is adequate to continue the operations of the Company and the Group in the following year after the date of this notice of annual general meeting;
- before entering the market to proceed with the repurchase, the Company's sponsor has complied with its responsibilities contained in section 2.12 of Schedule 25 of the JSE Listings Requirements;
- after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made on SENS and in the press; and
- the Company appoints only one agent to effect any repurchase(s) on its behalf."

Reason for and effect of special resolution number 4

The reason for and effect of special resolution number 4 is to authorise the Company and/or its subsidiaries by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company, subject to the limitations set out above.

The directors of the Company have no specific intention to effect the provisions of special resolution number 4 but will, however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution Number 1. It is, however, proposed, and the Board believes it to be in the best interest of Primeserv, that shareholders pass a special resolution granting the Company a general authority to acquire its own shares and permit subsidiary companies of Primeserv to acquire shares in the Company.

The Company may not enter the market to proceed with the repurchase until Primeserv's sponsor, Grindrod Bank Limited, has confirmed the adequacy of Primeserv's working capital for the purpose of undertaking a repurchase of shares in writing to the JSE.

Pursuant to a general repurchase other than shares repurchased by one or more of the subsidiary companies to be held as treasury shares, application will be made to the JSE for the cancellation and delisting of the shares in question. The cancellation of the shares will be effected by way of a reduction of the ordinary share capital and a reduction of the ordinary share premium.

Other disclosures in terms of section 11.26 of the JSE Listings Requirements made in regard to special resolution number 4

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

- Directors and management (page 16)
- Major shareholders of Primeserv (page 76)
- Directors' interests in securities (page 45)
- Share capital of Primeserv (note 15)

Material change

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

Directors' responsibility statement

The directors, whose names are given on page 16 of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 4 and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all such information required by law and the JSE Listings Requirements.

Litigation statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on page 16 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

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.

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, 27 July 2018, being the record date set by the Board in terms of the Act for determining which shareholders are entitled to receive a notice of AGM. The record date on which shareholders must be registered as such in the Company's securities register, which date was set by the Board determining which shareholders are entitled to attend and vote at the annual general meeting is Friday, 16 November 2018. Accordingly, the last day to trade in order to be able to attend and vote at the annual general meeting is Tuesday, 13 November 2018.

Voting

Shareholders will be entitled to attend the 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 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, 2, 3 and 4.

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 (and 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, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), no later than 09:00 on Wednesday, 21 November 2018.

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

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 at 09:30 on 23 November 2018 ("the annual general meeting").

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

I/We

(Name/s in block letters)

of (address)

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

1. or failing him/her,

2. or failing him/her,

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

		Number of votes (one vote per ordinary share)		
		For	Against	Abstain
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 of CS Ntshingila			
3.	**Resolution number 3** – To elect as members of the Audit, Governance and Risk Committee			
	3.1 DL Rose			
	3.2 CS Ntshingila			
4.	**Resolution number 4** – General authority to issue shares for cash			
5.	**Resolution number 5** – Endorsement of the Remuneration Policy			
6.	**Resolution number 6** – Endorsement of the Remuneration Implementation Report			
7.	**Resolution number 7** – Authority for directors or Company Secretary to implement the resolutions			
8.	**Special resolution number 1** – To confirm the non-executive directors' remuneration for 2018			
9.	**Special resolution number 2** – To confirm the non-executive directors' remuneration for 2019			
10.	**Special resolution number 3** – Authority to provide financial assistance to related or inter-related companies of the Company			
11.	**Special resolution number 4** – General authority to repurchase shares			

Signed at on 2018

Signature

Assisted by me (where applicable)

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

YES ☐ NO ☐

Signature

Please see notes overleaf

notes to the **form of proxy**

1. A shareholder may insert the names of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the Chairperson 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 Chairperson 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, 21 November 2018.
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.

corporate **information**

Primeserv Group Limited

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

Registered office
25 Rudd Road,
Illovo, Sandton

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

Company Secretary

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

Legal advisors

DLA Cliffe Dekker Hofmeyr
Fasken Martineau
Harris Marcus Mahlangu
Werksmans

Sponsor

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

Bankers

FirstRand Bank Limited
Investec Bank Limited

Auditors

Mazars
54 Glenhove Road
Melrose Estate, 2196

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

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