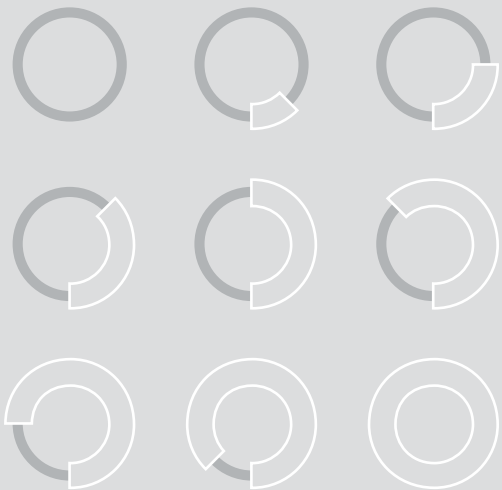
integrated report

2020



primeserv

guide to the report

introducing this report	1
the year in review	2
the group at a glance	3
our group structure	4
our value proposition	5
our national footprint	6
sectors and industries we service	7
how we create value	8
our INT**HR**GRATE™ model	9
our business model	10
our stakeholders	12
risk management and mitigation	14
our approach to management	15
our board	16
chairman's report	18
ceo's report	20
five year historical performance	23
governance and risk management	24
annual financial statements	36
analysis of shareholding	74
market statistics	75
notice of annual general meeting	76
form of proxy	81
corporate information	IBC

navigating the six capitals

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

financial capital

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

human capital

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

intellectual capital

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

manufactured capital

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

social and relationship capital

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

natural capital

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

introducing this report

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

material issues and stakeholder engagement

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

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

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

preparation of the integrated report

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

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

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

assurance

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

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

forward-looking statements

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

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

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

contacts

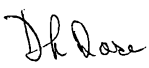
Primeserv's executive directors for the reporting period were Merrick Abel (Chief Executive Officer – "CEO") and Raphael Sack (Financial Director – "FD"). They can be contacted at the Company's registered office.

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

approval of the integrated report

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

For and on behalf of the Board



DL Rose
Chairman

M Abel
CEO

R Sack
FD

29 September 2020

revenue ▲ 0.1%
R807.7 million

operating profit ▲ 8%
R27.3 million

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

net asset value per share ▲ 20%
200 cents

dividend per share ▼ 25%
3.0 cents

EBITDA ▲ 10%
R30.2 million

profit before taxation ▲ 8%
R26.8 million

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

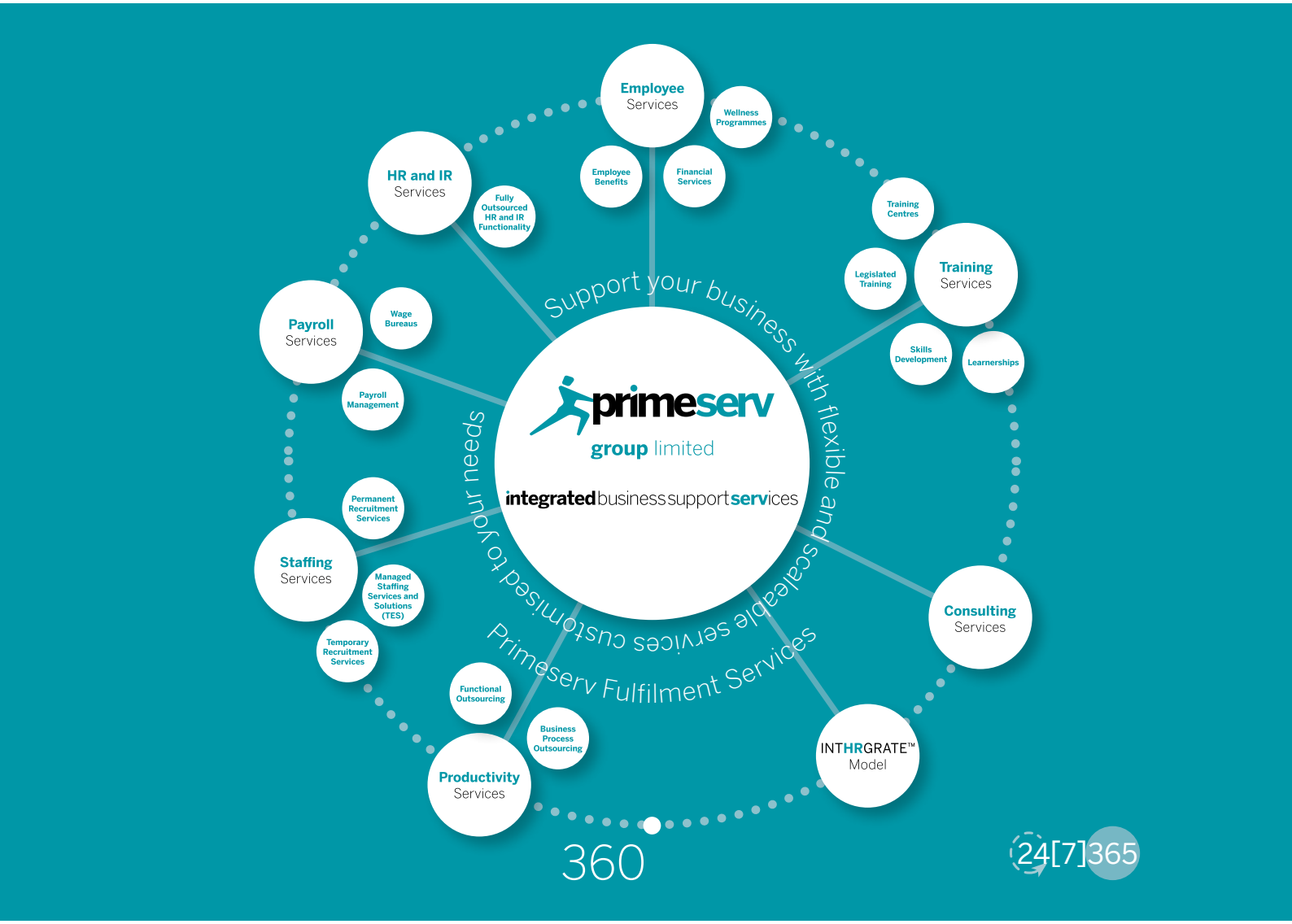
tangible net asset value per share ▲ 26%
166 cents

our business

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

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

the group at a glance



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

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

our focus

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

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

our group structure

primeserv group limited

integrated business support services

Staffing Services

Shared Services

Training and Consulting Services

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

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

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

360

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

brands and trademarks

primeserv · integrated business support services · the Primeserv INTHRGRATE™ model · STAFF DYNAMIX · Denverdraft · BATHUSI STAFFING SERVICES · LAPACE est 1995

our value proposition

our competitive differentiators

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

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

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

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

our brand

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

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

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

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

PEOPLE • PRODUCTIVITY • PERFORMANCE

primeserv

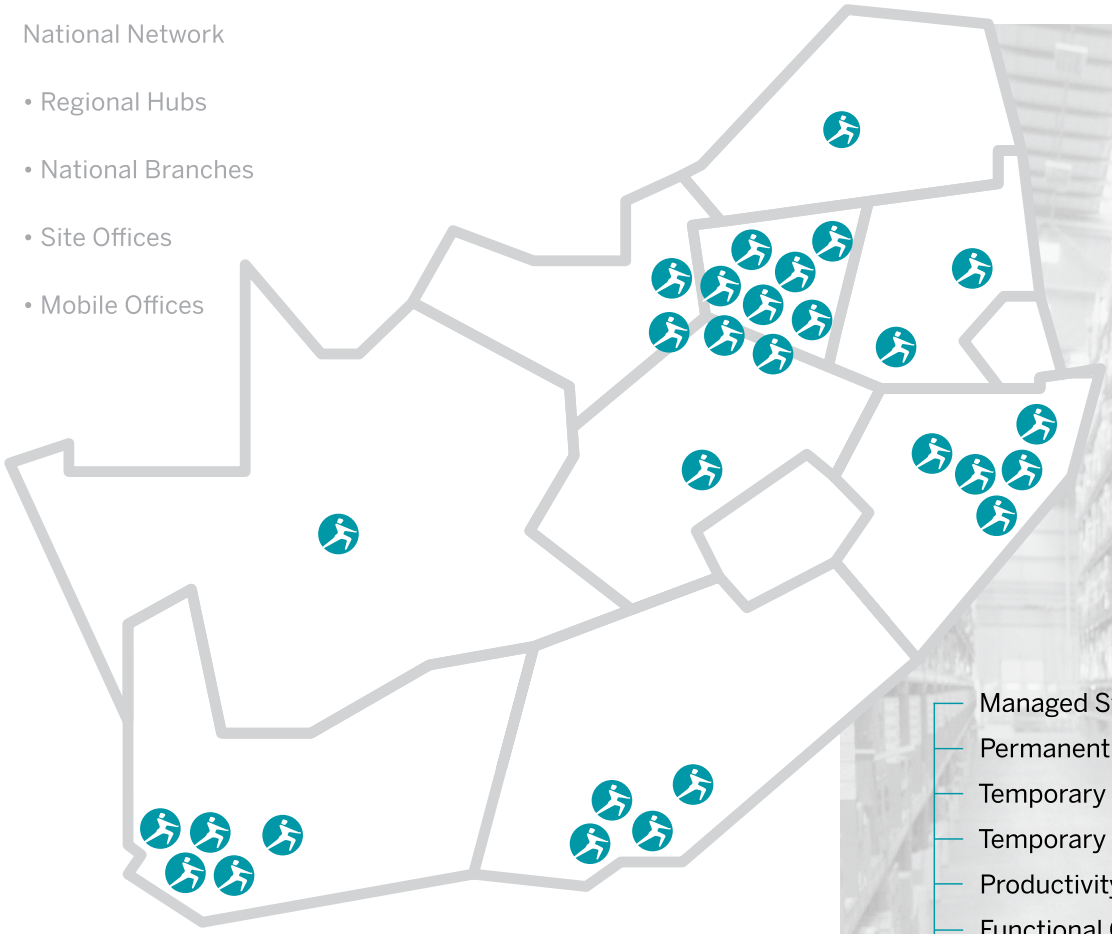
our pledge

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

our national footprint

National Network

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



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

sectors and industries we service

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

how we create value

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

our strategy

strategic intent

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

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

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

strategic objectives

Our strategic objectives are to:

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

strategic implementation

We deliver on our strategy by focusing on and executing:

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

our INTHRGRATE™ model

Complete Legislative Compliance

B-BBEE Level 1 & 2 Value Added Ratings

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

our business model

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

inputs

Equity funding
Debt funding
Internal cash resources

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

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

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

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

Air
Water
Electricity
Fuel
Paper
Reduce Reuse Recycle

business activities

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

impacts on our business

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

operating environment

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

outputs

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

Human capital consulting services

Functional outsourcing services

Business process outsourcing

Productivity services

Staffing and recruitment services

Accredited training and skills development services

Payroll management services

Fulfilment services

Shared services

Performance and productivity monitoring

Real-time and in-depth management reporting

Labour market research

outcomes

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

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

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

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

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

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

our stakeholders

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

employees

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

what they mean to us	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 and wellness fosters excellent service which, in turn, fosters positive outcomes for both the Group and its clients. Developing, motivating and retaining our people is a value-driven business goal for the Group, our clients' businesses, broad-based economic growth and social development.	• A formal onboarding and 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 and incentives • Managed career development • An innovative, supportive and safe working environment • Transformation initiatives, incorporating a focus on diversity and inclusion initiatives

clients

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

what they mean to us	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 and partnerships with our clients and constantly evolve our products and services to meet their changing needs. We also actively engage in attracting new clients to facilitate both organic growth and onward referrals.	• Dedicated client relationship managers • Our client support services system • A comprehensive communications and direct marketing programme • Industry associations • Managed media coverage	• Customised, fully managed, Integrated Business Support Services and solutions • Greater business capability and resilience • Increased competitiveness • The ability to focus on their core competencies and activities while we manage their human capital requirements • Service excellence backed by continuous monitoring and benchmarking of services using reliable systems • Product and service offerings that provide solutions that address evolving business needs and objectives • On-time and uninterrupted services • Legislative and regulatory compliance

shareholders and potential investors

This group includes our shareholders and the investment community.

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

government and regulators

This group includes government and various industry regulatory bodies.

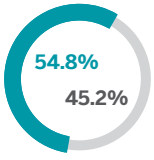
what they mean to us	we create value for government and regulators through:
As the custodian of labour legislation and regulations, government is a key stakeholder in Primeserv's business. We actively engage and collaborate with government and regulators to ensure that legislation and regulations protect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

communities

This group encompasses the communities in which we operate.

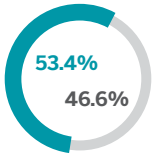
what they mean to us	we create value for communities by:
Creating shared value is beneficial to both Primeserv and the communities in which it operates. This contributes towards broad-based socio-economic development and secures the kind of stable operating environment in which both individuals and businesses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

shareholders 2020



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

shareholders 2019



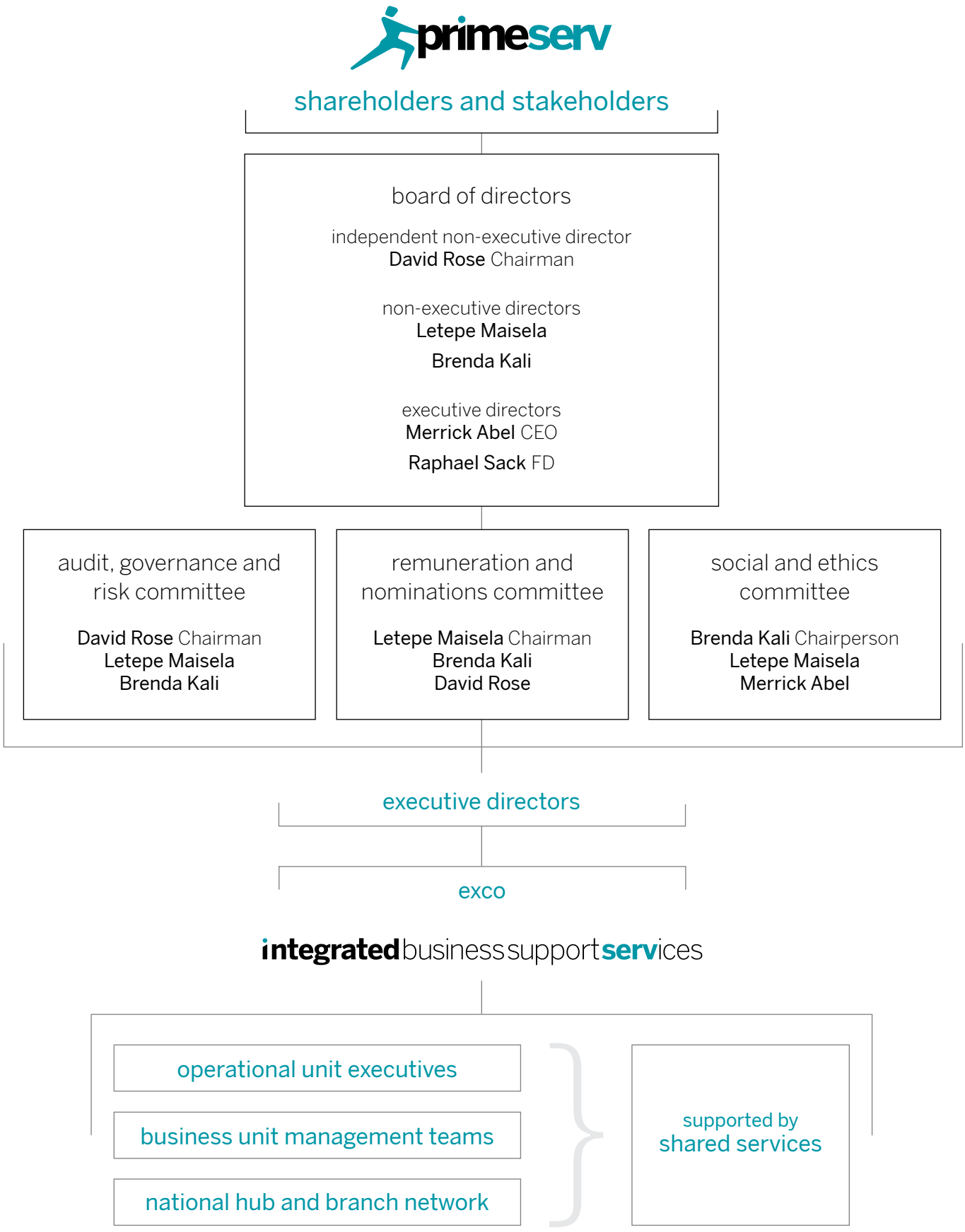
- directors, management and treasury shares
- individuals and other corporate bodies

risk management and mitigation

how we manage risk

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

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


primeserv
shareholders and stakeholders
board of directors
independent non-executive director
David Rose Chairman
non-executive directors
Letepe Maisela
Brenda Kali
executive directors
Merrick Abel CEO
Raphael Sack FD
audit, governance and risk committee
David Rose Chairman
Letepe Maisela
Brenda Kali
remuneration and nominations committee
Letepe Maisela Chairman
Brenda Kali
David Rose
social and ethics committee
Brenda Kali Chairperson
Letepe Maisela
Merrick Abel
executive directors
exco
integrated business support services
operational unit executives
business unit management teams
national hub and branch network
supported by shared services

our board

1

2

3

4

5

non-executive directors

1. David L Rose^#¤
Chairman

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

Appointed: February 2005

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

2. Letepe M Maisela#¤*

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

Appointed: December 2008

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

3. Brenda Kali^#¤*

Appointed: March 2019

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

executive directors

4. Merrick Abel*
CEO

BA (Hons), MBA

Appointed: August 1997

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

5. Raphael Sack
FD

BCom, BCompt (Hons), CA(SA)

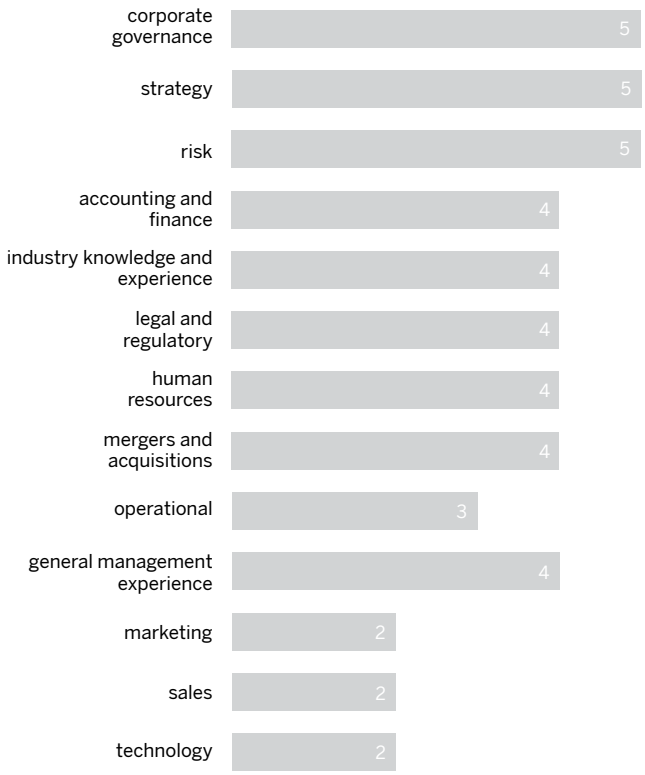
Appointed: June 2009

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

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

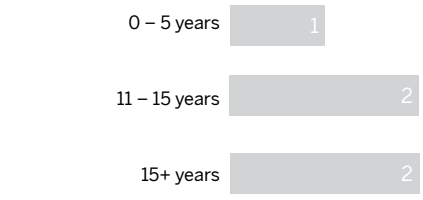
board skills

(number of directors) as at 31 March 2020



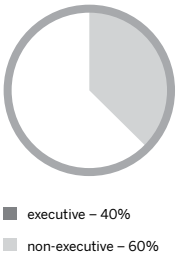
board tenure

(number of directors) as at 31 March 2020



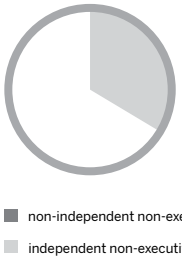
directors

as at 31 March 2020



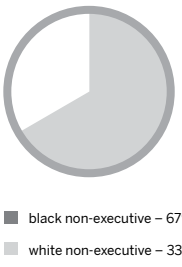
independence

as at 31 March 2020



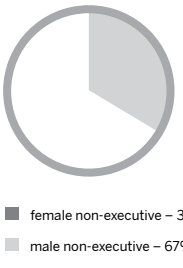
race

as at 31 March 2020



gender

as at 31 March 2020



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

David Rose *Chairman*

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

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

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

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

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

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

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

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

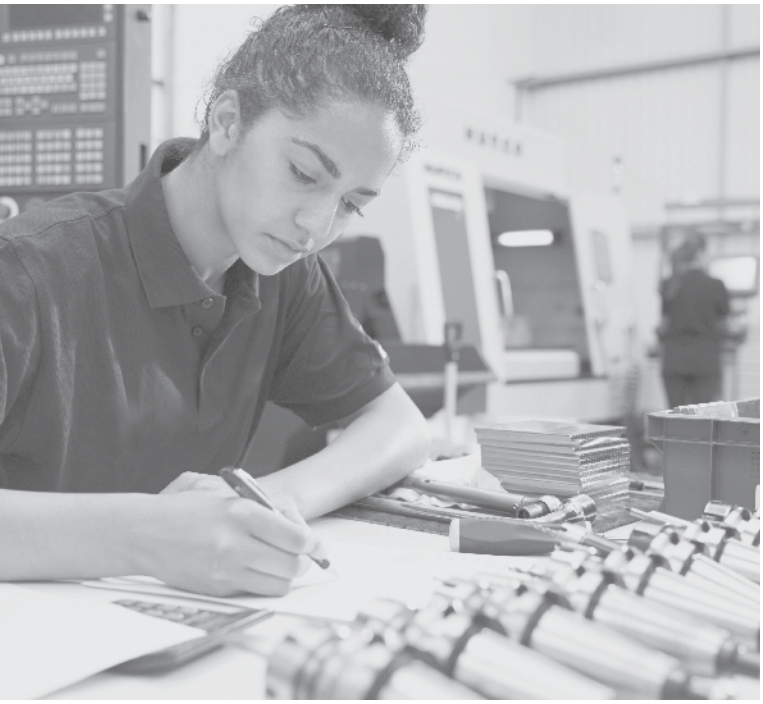
Unsurprisingly, business confidence in South Africa is at an all-time low. Although the RMB/BER Business Confidence Index rose in the last quarter of 2019 to 26 for the first time in two years (following a low of 21 in the third quarter of 2019), the index slipped to 20 in the first quarter of 2020,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

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

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

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

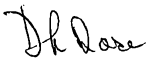
In response to the sudden changes wrought by Covid-19, the Group and its management team acted promptly and proactively. Decisive action was taken to protect the health and safety of both Primeserv's and our clients personnel. Strategic and operational adjustments were made to meet Covid-19 specific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



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

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

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



David L Rose
Chairman

29 September 2020

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

Merrick Abel *CEO*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

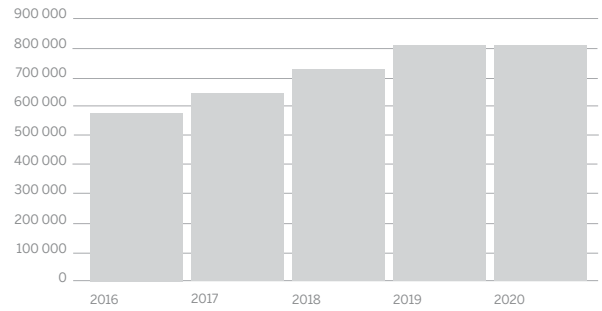
Merrick Abel
CEO

29 September 2020

five year historical performance

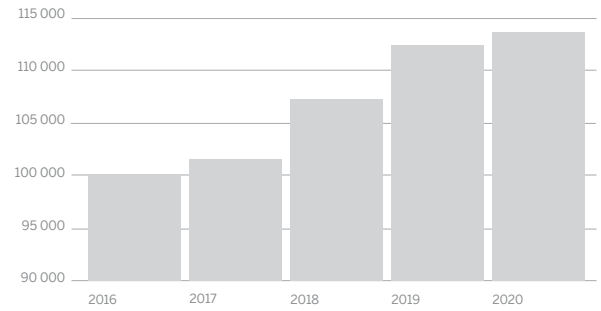
revenue

R '000



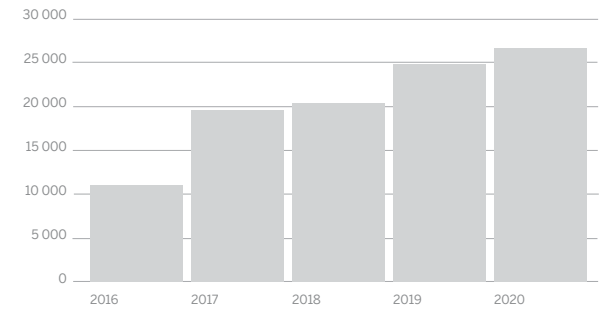
gross profit

R '000



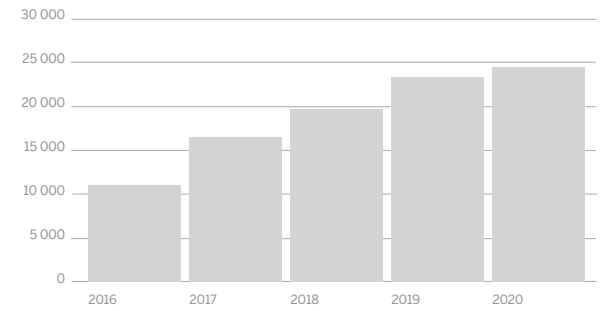
profit before tax

R '000



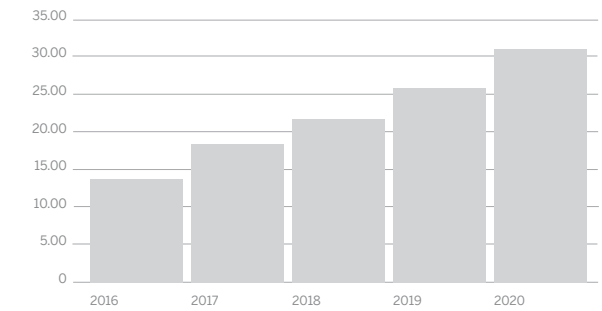
profit after tax

R '000



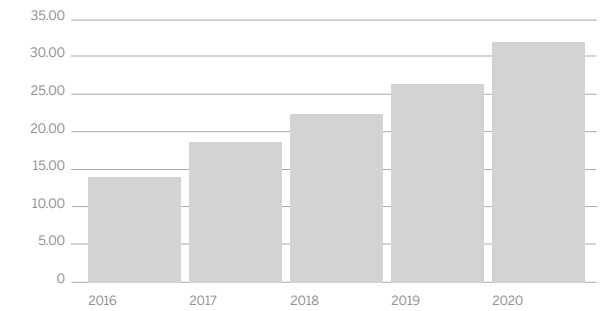
eps

cents per share



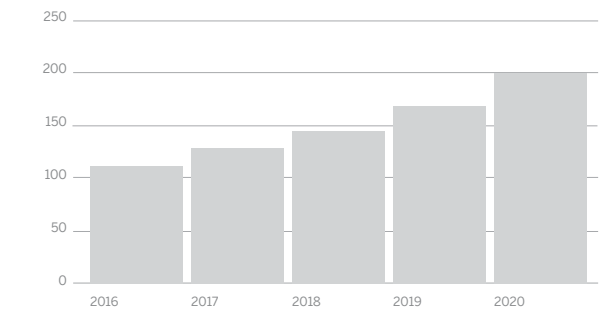
heps

cents per share



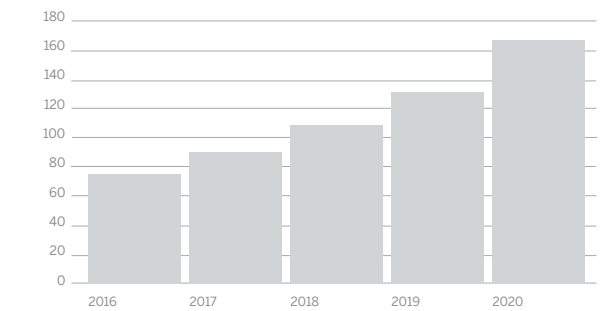
nav

cents per share



tangible nav

cents per share



corporate governance report

governance framework

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

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

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

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

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

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

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

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

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

composition of the board

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

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

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

Executive directors are bound by employment contracts and restraint agreements.

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

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

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

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

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

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

evaluation of the board

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

conflicts of interest

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

attendance at meetings during the year

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

* By invitation

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

board responsibilities and functioning

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

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

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

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

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

company secretary and independent advice

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

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

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

board committees

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

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

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

social and ethics committee

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

risk and compliance

risk management policy

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

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

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

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

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

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

risk management framework

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

Primeserv's risk management framework aims to ensure:

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

operational risk management

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

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

combined assurance framework

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

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

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

internal control

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

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

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

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

internal audit

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

external audit

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

insurance

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

information technology

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

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

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

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

tax

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

compliance with laws, rules, codes and standards

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

restrictions on share dealings

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

stakeholder relationships

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

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

integrated reporting and disclosure

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

annual general meeting

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

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

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

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

audit, governance and risk committee report

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

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

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

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

The responsibilities of the Committee include:

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

management process

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

external audit

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

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

going-concern assessment

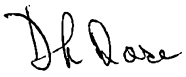
The Board has reviewed management's assessment of the solvency and liquidity of the Group and regards the Group to be a going concern. It is expected (despite the post year-end impact of the Covid-19 pandemic) to continue to be profitable in the current financial year and to have adequate cash and other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

annual financial statements and accounting policies

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

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

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



David L Rose
Audit, Governance and Risk Committee Chairman

29 September 2020

remuneration and nominations committee report

background statement

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

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

Details of meeting attendance are given on page 25.

responsibilities

The Committee's responsibilities include:

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

key objectives

Key objectives for the current period are to:

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

remuneration policy

remuneration philosophy

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

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

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

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

remuneration elements and principles

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

The Group remunerates its employees on the following basis:

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

remuneration of non-executive directors

terms of service

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

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

remuneration

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

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

remuneration of executive directors

terms of service

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

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

external appointments

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

remuneration

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

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

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

Remuneration packages comprise the following:

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

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

short-term incentives

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

long-term incentives

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

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

implementation report

remuneration of non-executive directors

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

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

The fees given in the table are for individual roles.

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

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

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

remuneration of executive directors

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

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

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

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

implementation of remuneration policy

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

conclusion

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

LM Maisela
Remuneration and Nominations Committee Chairman

29 September 2020

social and ethics committee report

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

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

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

responsibilities

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

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

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

During the reporting period the Committee accordingly reviewed the following:

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

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

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

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

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

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

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

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

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

preferential procurement

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

corporate social investment

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

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

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

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

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

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

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

conscious companies partnership

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

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

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

ethical indicators

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

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

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

safety, health and environment indicators

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

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

environmental indicators

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

B Kali
Social and Ethics Committee Chairperson

29 September 2020

contents

	Page No.	Note No.
reports		
directors' approval and responsibility statement	37	
statement of compliance by the company secretary	38	
audit, governance and risk committee report	39	
directors' report	41	
independent auditor's report	42	
financial statements		
statements of profit or loss and other comprehensive income	45	
statements of financial position	46	
statements of changes in equity	47	
statements of cash flows	48	
income and expenses		
revenue	50	1
cost of sales	50	2
operating profit	50	3
taxation	50	4
earnings per share	51	5
operating assets and liabilities		
equipment and vehicles	52	6
right-of-use assets	53	7
deferred tax asset	53	8
trade and other receivables	54	9
cash and cash equivalents	55	10
trade and other payables	55	11
bank borrowings	55	12
lease liabilities	56	13
investments, financing and capital structure		
investment property	56	14
goodwill	57	15
details of subsidiary companies and share trust	58	16
ordinary share capital	60	17
treasury shares	60	18

	Page No.	Note No.
personnel		
directors' remuneration	61	19
key management remuneration	62	20
retirement benefits	62	21
other		
risk management	62	22
related party transactions	64	23
operating lease commitments	65	24
segmental analysis – operating segments	65	25
financial assets by category	67	26
financial liabilities by category	67	27
events after reporting period	67	28
going concern	67	29
summary of accounting policies	68	

directors' approval and responsibility statement

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

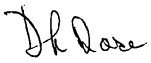
The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material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

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

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

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

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



DL Rose
Chairman

M Abel
CEO

R Sack
FD

level of assurance

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

Auditors
Mazars
Registered Auditors

Preparer
Raphael Sack
FD

Published
29 September 2020

statement of compliance by the company secretary

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

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

Johannesburg
29 September 2020

that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

Mazars
Partner: Munesh Patel
Registered Auditor
Johannesburg
29 September 2020

Primeserv Group Limited

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

Statement of Financial Position as at 31 March 2020

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

Statement of Profit or Loss and Other Comprehensive Income

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

Primeserv Group Limited

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

Statement of Changes in Equity

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

Statement of Cash Flows

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

Accounting Policies

PRINCIPAL ACCOUNTING POLICIES

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

BASIS OF PREPARATION

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

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

JUDGEMENTS AND ESTIMATES MADE BY MANAGEMENT

Estimates

Recoverability of deferred tax assets

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

Recoverability of trade receivables

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

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

Recoverability of group loans receivable

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

REVENUE

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

LEASES

Operating leases

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

Accounting Policies

TAXATION

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

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

EMPLOYEE BENEFITS

Short-term employee benefits

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

Retirement benefits

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

BORROWING COSTS

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

EQUIPMENT AND VEHICLES

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

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

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

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

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

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

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

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

Accounting Policies

FINANCIAL INSTRUMENTS

Classification

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

- Loans and receivables at amortised cost
- Financial liabilities at amortised cost

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

Initial recognition

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

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

Subsequent measurement

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

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

Derecognition

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

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

Financial Assets

Loans and receivables

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

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

Cash and cash equivalents

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

Financial Liabilities

Loans and payables

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

DEFERRED TAXATION

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

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

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

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

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

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

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

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

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

Figures in Rand	2020	2019

2. Property, plant and equipment

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

Reconciliation of property, plant and equipment - 2020

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

Reconciliation of property, plant and equipment - 2019

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

3. Investment in subsidiaries

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

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

4. Deferred tax

Deferred tax liability

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

Reconciliation of deferred tax (liability) / asset

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

5. Loans to group companies

Subsidiaries

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

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

Split between non-current and current portions

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

Exposure to credit risk

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

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
6. Trade and other receivables		
Financial instruments:		
Trade receivables	17 665 488	2 674 914
Prepayments and staff loans	1 268 230	628 300
Other receivables	15 582	428 079
Non-financial instruments:		
VAT	-	81 740
Total trade and other receivables	**18 949 300**	**3 813 033**
7. Share capital		
Authorised		
500 000 000 Ordinary shares of 1 cent each	5 000 000	5 000 000
Describe any changes in authorised share capital e.g. Conversion to net present value shares.		
Issued		
132 062 743 Ordinary shares of 1 cent each	1 320 627	1 320 627
Share premium	1 350 921	1 350 921
	2 671 548	**2 671 548**
8. Non-distributable reserve		
Excess arising from intangible asset write down in the Group as adjusted for subsequent impairment charges or reversals in the investments and loans to subsidiaries.	159 812 168	159 812 168
9. Trade and other payables		
Financial instruments:		
Trade payables	983 399	825 726
Accrued expenses	2 361 964	459 679
Non-financial instruments:		
VAT	2 268 996	-
	5 614 359	**1 285 405**
10. Revenue		
Cost recoveries	14 960 202	9 900 000
11. Other operating income		
Preference dividends	6 848 125	6 848 125
Other income	305 758	-
	7 153 883	**6 848 125**

Figures in Rand	2020	2019

12. Operating profit

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

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

13. Investment income

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

14. Finance costs

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

15. Taxation

Major components of the tax (income) expense

Deferred		
Originating and reversing temporary differences	652 794	35 345

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

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

Notes to the Annual Financial Statements

Figures in Rand		2020	2019
16. Cash (used in)/generated from operations			
Profit before taxation		8 812 369	9 110 223
Adjustments for:			
Depreciation and amortisation		70 339	73 899
Interest income		(5 098 256)	1 026 332
Finance costs		15 830	2 599
Other non-cash items		-	147
Changes in working capital:			
Trade and other receivables		(15 136 267)	(1 477 334)
Trade and other payables		5 008 311	209 590
		(6 327 674)	**8 945 456**
17. Dividends paid			
Dividends		(5 006 046)	(3 947 047)
18. Related parties			
Relationships			
Subsidiaries	Refer to note 5		
Related party balances			
Amounts included in Trade Receivables regarding related parties			
Subsidiaries		17 665 488	3 532 614
Amounts included in Trade Payables regarding related parties			
Subsidiaries		791 220	-
Related party transactions			
Finance income			
Subsidiaries		4 532 714	-
Finance costs			
Subsidiaries		-	1 182 460
Preference dividends			
Subsidiaries		6 848 125	6 848 125
Revenue - Cost recoveries			
Subsidiaries		14 960 202	9 900 000

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

19. Directors' emoluments

Executive and non-executive

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

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

20. Events after the reporting period

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

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

21. Going concern

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

Covid-19 has been treated as an adjusting event.