

Income statement

	Reviewed year ended 30 June 2004 R'000	Audited year ended 30 June 2003 R'000
Revenue	397 244	464 046
EBITDA before exceptional debt provisions and forex movements	5 448	10 038
(Loss)/profit on forex	(739)	989
Depreciation	2 226	2 979
Goodwill amortisation	81	169
Exceptional debt provisions	5 875	–
Operating (loss)/profit	(3 473)	7 879
Interest received ⁽¹⁾	3 240	4 453
Interest paid	(2 915)	(5 815)
Net (loss)/profit before other exceptional items	(3 148)	6 517
Other exceptional items	6 800	–
Net (loss)/profit before taxation	(9 948)	6 517
Taxation	(1 410)	2 143
Net (loss)/profit after taxation	(8 538)	4 374
Outside shareholders' interest	2	5
Net (loss)/profit attributable to shareholders	(8 540)	4 369
Reconciliation of headline (loss)/earnings		
Net (loss)/profit attributable to shareholders	(8 540)	4 369
After tax effect of profit on sale of fixed assets	(98)	(5)
Goodwill amortisation	81	169
Headline (loss)/earnings	(8 557)	4 533
Weighted average number of shares ('000)	117 123	121 906
Diluted number of shares ('000)	118 950	123 468
(Loss)/earnings per share (cents)	(7,29)	3,58
Diluted (loss)/earnings per share (cents)	(7,18)	3,54
Headline (loss)/earnings per share (cents)	(7,31)	3,72
Dividend proposed after year-end per share (cents) ⁽²⁾	–	0,50

(1) Included in interest received is R2,5 million arising from the application of AC133 (Year ended 30 June 2003: R3,3 million).

(2) Dividend in respect of the 2003 financial year was declared in December 2003 and paid in January 2004.

Segmental analysis

	Reviewed year ended 30 June 2004 R'000	Audited year ended 30 June 2003 R'000
Revenue	345 069	406 455
Outsourcing	19 557	16 825
Computer colleges	32 618	40 766
HR Solutions	397 244	464 046
Operating profit/(loss) before exceptional debt provisions	12 529	14 772
Outsourcing	2 755	(2 998)
Computer colleges	(9 955)	61
HR Solutions	(2 927)	(3 956)
Central services	2 402	7 879
Operating profit/(loss)	6 654	14 772
Outsourcing	2 755	(2 998)
Computer colleges	(9 955)	61
HR Solutions	(2 927)	(3 956)
Central services	(3 473)	7 879

Balance sheet

	Reviewed 30 June 2004 R'000	Audited 30 June 2003 R'000
ASSETS		
Non-current assets	14 636	20 023
Equipment and vehicles	3 297	4 749
Intangibles	576	657
Long-term receivables	1 662	5 530
Proceeds due from disposal of business	–	1 523
Deferred tax asset	9 101	7 564
Current assets	60 369	78 131
Inventories	619	690
Trade receivables	47 502	55 779
Other receivables	3 196	12 124
Cash at bank	9 052	9 538
Total assets	75 005	98 154
EQUITY AND LIABILITIES		
Capital and reserves	36 627	46 493
Minority interest	4	5
Non-current liabilities	1 300	1 241
Current liabilities	37 074	50 415
Trade and other payables	26 334	32 809
Short-term interest bearing borrowings	205	2 219
Taxation	495	642
Bank borrowings	10 040	14 745
Total equity and liabilities	75 005	98 154
Number of shares in issue at end of year ('000)	116 691	119 730
Net asset value per share (cents)	31	39

Cash flow statement

	Reviewed year ended 30 June 2004 R'000	Audited year ended 30 June 2003 R'000
Operating activities	6 606	17 470
Investing activities	(431)	(242)
Financing activities	58	402
Net increase in cash at bank and reduction of borrowings	6 233	17 630
Borrowings net of cash at bank at beginning of the year	(7 426)	(25 056)
Borrowings net of cash at bank at end of the year	(1 193)	(7 426)

Statement of changes in equity

	Reviewed year ended 30 June 2004 R'000	Audited year ended 30 June 2003 R'000
Balance at beginning of the year as previously stated	47 232	79 214
Prior year adjustment	–	(6 915)
Adjustment for change in accounting of share trust	(739)	(1 446)
Balance at beginning of the year – restated	46 493	70 853
Deferred tax	–	(27 616)
Repurchase of securities	(787)	(1 113)
Issue of shares from share trust	43	–
Dividend paid	(582)	–
Net (loss)/income for the year	(8 540)	4 369
Balance at the end of the year	36 627	46 493

Commentary

Profile

Primeserv is a holding company with specialised operations that meet the human resources needs of the South African corporate, industrial and government sectors.

Operational review

The Group made continued progress towards its aim of providing an integrated HR services offering to clients through its single brand driven business model.

Primeserv's core business unit, the Outsourcing Division, continues to generate sound profits and strong cash flows. Solid performance was delivered by the logistics staffing units, the white-collar professional staffing operation and the industrial services units. Management remains focused on further improving operating margins and growing the division by continuing to develop long term contract based business in its specialised flexible staffing services niches. Operating profit before exceptional debtors provisions was slightly lower relative to the prior year but still satisfactory at R12,5 million in a highly competitive marketplace. A once-off provision of R5,9 million was booked against various long term debtors where contractual disputes have been outstanding and negotiations for recovery of these debtors have been taken over by head office.

The Computer Colleges Division produced an excellent improvement in performance over the previous year, achieving a R2,8 million operating profit on higher revenue. Management regards the current business strategy as sustainable.

The HR Solutions Division experienced considerable difficulties with sales below budget and expenses higher than anticipated. This was exacerbated by the difficulties that arose from its Learnership Projects Unit in which a number of unviable contracts (for which costs had been incurred) were identified subsequent to the year end and have now been cancelled by the Division. Changes to its business model and improved risk assessment procedures are being implemented. Weak results are expected for the first half of the coming financial year and the Division is being restructured to deliver acceptable returns.

BEE initiatives have been successful in the form of the Group's ventures with black owned Bathusi Staffing Services (Pty) Limited and Empvest Outsourcing (Pty) Limited. A further BEE venture is expected to be finalised shortly.

Financial review

The Group recorded poor results for the year mainly as a result of the significant loss in the HR Solutions Division and the once-off provisions and write-offs deemed prudent for the year under review. EBITDA before exceptional debt provisions and forex movements fell to R5,4 million and an operating loss of R3,5 million was incurred. A headline loss of 7,3 cents per share was recorded for the year.

Exceptional items of R12,7 million relate to once-off provisions against contracts under dispute and the impairment of long term and other receivables in terms of AC128.

Notwithstanding the negative income statement results for the year, the Group's cash flow was once again strongly positive at R6,2 million which resulted in a reduction in net borrowings to R1,2 million from R7,4 million in the previous year. The Group's balance sheet has strengthened materially and the Group had virtually no net gearing at the year end.

A contingent liability has arisen in the Outsourcing Division which has received a claim from SARS for R6,1 million, inclusive of interest and penalties. This is being disputed by the Group.

Accounting policies and audit review

Results for the period have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice applicable to interim financial reporting and are consistent with the prior year except for the consolidation of the Primeserv Group Limited Share Trust. The 2003 comparatives have been restated accordingly with net profit previously reported increasing by R0,7 million.

The results have been reviewed by the Group's auditors, Deloitte & Touche, Chartered Accountants (SA), Registered Accountants and Auditors, and their unqualified review report is available for inspection at Primeserv's registered offices.

Dividend

No dividend is recommended for the year ended 30 June 2004.

Change in directorate

P L Gray resigned as COO and from the board on 24 August 2004.

Prospects

Although the first half of the new financial year will be difficult, the Group is expected to improve its performance over the financial year as a whole.

Further Cautionary Announcement

Further to the cautionary announcements dated 28 July 2004 and 8 September 2004, shareholders are advised that Primeserv is in the final stages of BEE negotiations, which if successfully concluded may have an effect on the price of the company's securities. Accordingly, shareholders are advised to continue to exercise caution when dealing in the company's securities until a further announcement is made.

For and on behalf of the board

JM JUDIN

Non-Executive Chairman

M ABEL

Chief Executive Officer

27 September 2004

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Deloitte.

Deloitte & Touche Sponsor Services (Pty) Limited
(Incorporated in the Republic of South Africa)
Registration number 1996/000034/07

Primeserv Group Limited

("Primeserv" or "the Group")

Incorporated in the Republic of South Africa

(Registration number 1997/013448/06)

Directors

JM Judin (Chairman)*, M Abel (CEO), Professor S Klein* (American),
CS Seabrooke*, DC Seaton* (*non-executive)

Company secretary

ER Goodman Secretarial Services cc

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Transfer secretaries

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Sponsor

Deloitte & Touche Sponsor Services (Pty) Limited

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Share code: PMV ISIN: ZAE000039277



Reviewed annual results

FOR THE YEAR ENDED 30 JUNE 2004

AND FURTHER CAUTIONARY ANNOUNCEMENT