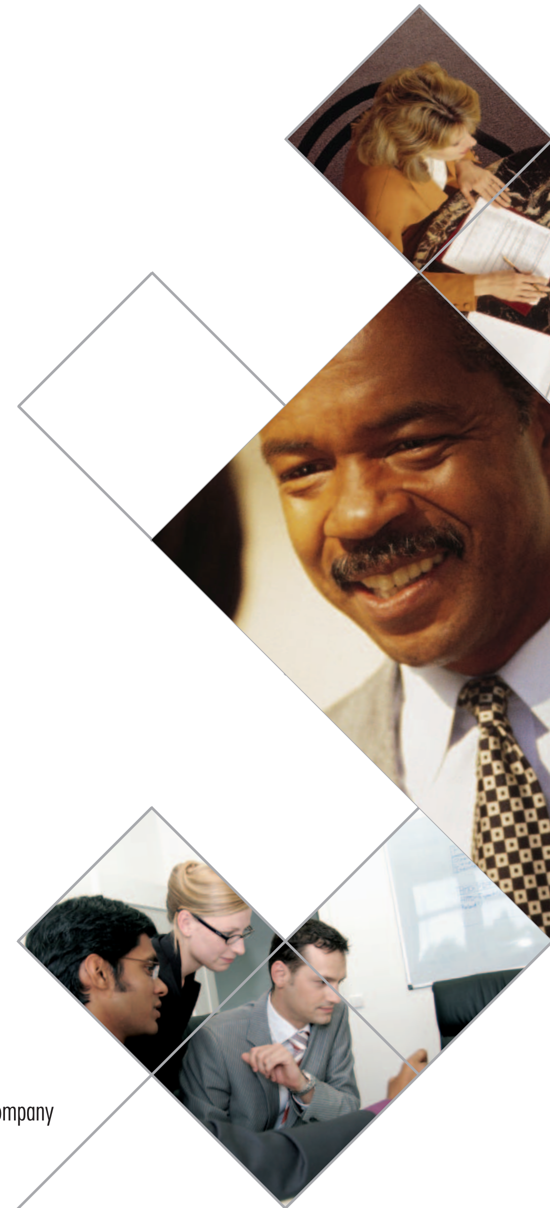
PRIMESERV

GROUP LIMITED

Primeserv Group Limited Annual Report 2008

Contents



Profile

Primeserv Group Limited* is an investment holding company which listed on the JSE in 1998. The Group is listed in the Industrial Goods and Services, Business Training and Employment Agencies sector of the JSE.

The Group focuses on delivering human resources (HR) products, services and solutions through its operating pillar, Primeserv HR Services. This incorporates two main areas of specialisation: Human Capital Development operating through two divisions, Primeserv HR Solutions and Primeserv Colleges; and Human Capital Outsourcing operating through the Group's largest division, Primeserv Outsourcing.

These divisions provide a comprehensive HR value chain that can be applied through Primeserv's Int**HR**grate™ Model in its entirety or in modular form. These divisions encompass an extensive range of HR consulting solutions and services, corporate and vocational training programmes, technical skills training centres, computer training colleges, as well as resourcing and flexible staffing services, supported by wage bureaus and HR logistics outsourcing operations.

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

** Primeserv or the Group*

Financial highlights

For the year ended 31 December 2008

	2008 R'000	% change	2007 R'000
FINANCIAL RESULTS			
Revenue *	539 878	14	474 197
EBITDA	23 638	20	19 741
Operating profit	21 772	22	17 912
Attributable profit to equity shareholders of the Company	17 507	27	13 830
Headline earnings	17 590	27	13 818
Total assets	138 398	10	125 582
Total liabilities	70 305	1	69 736
SEGMENTAL ANALYSIS			
Revenue			
Human Capital Outsourcing	501 715	16	433 956
Human Capital Development	38 163	(5)	40 241
Operating profit			
Human Capital Outsourcing	27 758	17	23 787
Human Capital Development	2 710	(47)	5 070

	2008	% change	2007
PERFORMANCE PER SHARE			
Headline earnings (cents)	15,41	28	12,06
Dividends to shareholders (cents)**	3,0	50	2,0
Net asset value (cents)	61	24	49
Closing share price (cents)	40	(47)	75
Price:earnings ratio	2,4	(61)	6,2

* *Revenue note: Excludes revenue from Bathusi Staffing Services (Pty) Limited R61,5 million (2007: R49,9 million), which was deconsolidated as a result of a B-BBEE transaction and has since been accounted for as an associate.*

** *Includes dividend declared and paid subsequent to year-end.*

Strategy

The Group's operational focus is to leverage the Primeserv HR Services value chain to achieve a sound return on investment.

This objective is driven by three core strategies:

- to build a strong balance sheet which facilitates organic and acquisitive growth opportunities
- to invest in intellectual capital and a strong management team
- to secure and maintain both daily and long-term contractual business to deliver real earnings growth.

The Group's B-BBEE strategy is geared towards the ongoing transformation of the organisation through employment equity and skills development.

The Group is committed to:

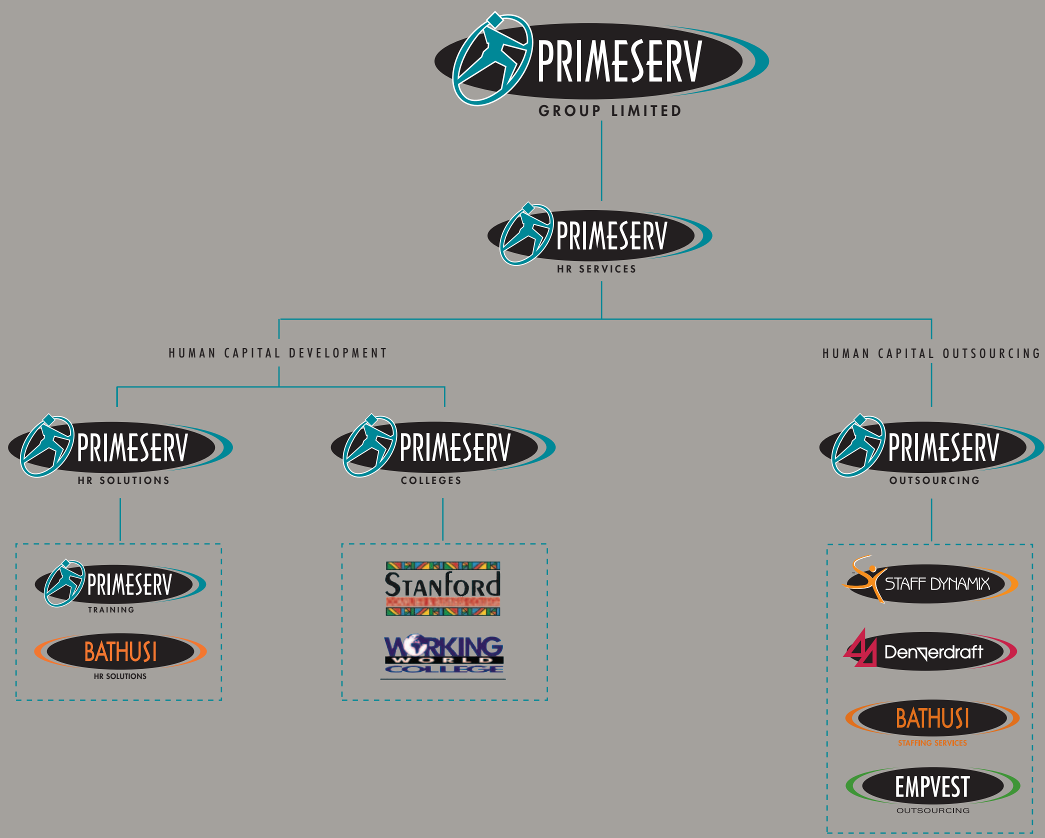
- growing an understanding of clients' needs in a constantly changing environment
- improving its knowledge of market dynamics
- delivering economically measurable value
- investing in HR products, services and operating facilities in a sustained and focused manner
- expanding its client base and market reach
- ensuring effective resource allocation and cost containment
- promoting strong values and a performance-driven organisational culture
- extending its presence in southern Africa to meet clients' needs as they expand into the region
- maintaining its key competitive advantage by building internal capability in a nurturing working environment
- enhancing the Group's leadership position in HR consulting, skills development and flexible staffing services while evolving its integrated HR services model
- nurturing effective B-BBEE internally and externally
- becoming the integrated HR services provider of choice.

STRATEGIC REVIEW

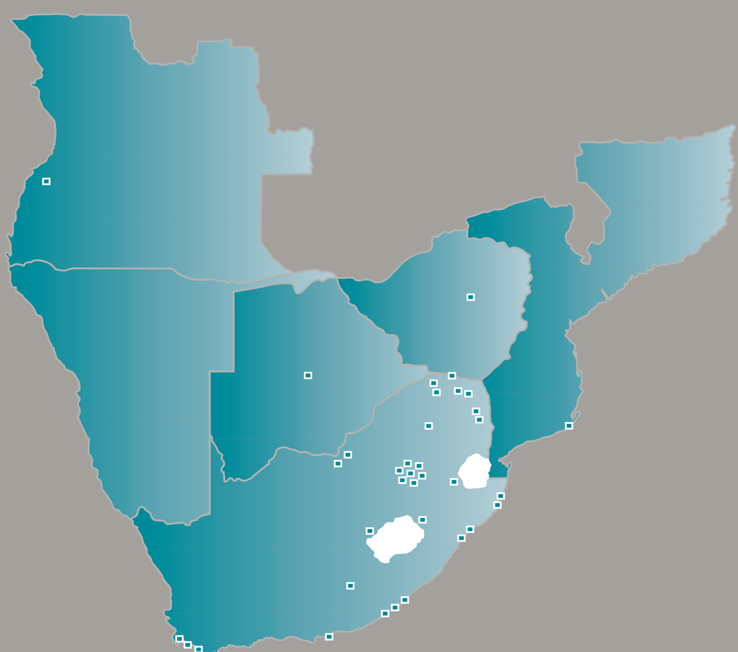
Primeserv has experienced a strong growth year, meeting its key corporate objectives through the application of the above guiding principles. Central to its success has been its growing understanding of clients' needs as they are affected by the South African socio-economic environment, with the resultant broader appreciation of Primeserv's own potential and abilities which enable the organisation to attain greater proficiencies in satisfying clients' requirements. Further investment in market-leading HR products and services and continued upgrading of operating facilities have provided added stimulus to this success.

Effective resource allocation and cost containment continue to be key operational imperatives. The Group's performance culture has been promoted consistently through the implementation of its performance measurement processes. A complete commitment to transformation has resulted in an improved B-BBEE rating.

Group structure

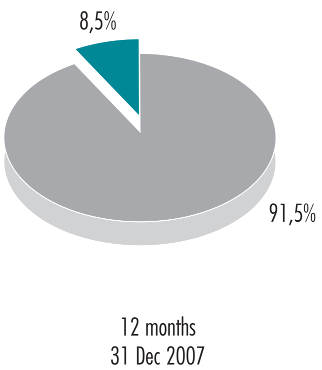


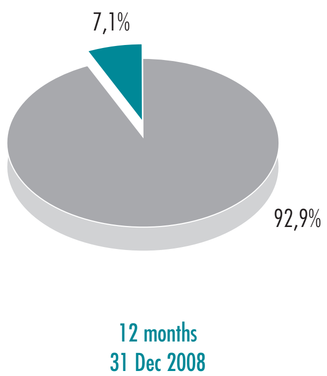
Regional representation



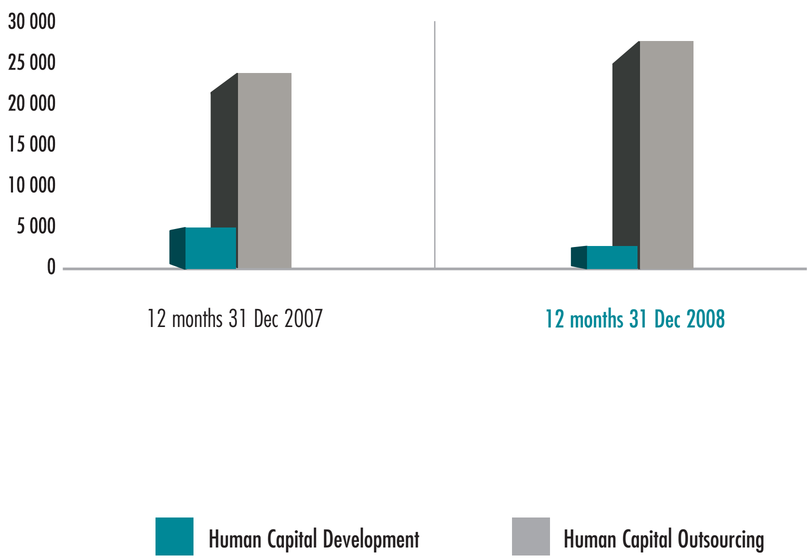
Graphical representation of segmental analysis

DIVISIONAL REVENUE





DIVISIONAL OPERATING PROFIT (R'000)



The Primeserv Int**HR**grate™ Model

BACKGROUND AND CONTEXT

Primeserv is passionate about the contribution that human capital can and should make to the business strategy of an organisation.

Worldwide, the HR function is playing an increasingly critical role as business partner, enabling companies to achieve their strategy through the more effective use of their primary resource – their human capital.

There is a clear evolution away from traditional, limited HR functions restricted to purely administration, payroll and legislative issues. In its increasingly important function as a business partner, HR is now making a vital strategic contribution to leadership, decision-making, succession planning and skills development.

Primeserv's HR Services is an acknowledged frontrunner in this evolution, partnering with its clients in identifying and developing HR strategies and processes which contribute to the achievement of their business strategies.

Primeserv's Int**HR**grate™ Model has been created around this central pillar of understanding the strategic and operational HR value chain. It adopts a 360° approach, providing a comprehensive suite of market-leading HR products, services and solutions which can be implemented on a modular or integrated basis to unlock the entire HR process as a value driver in clients' businesses.

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

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

What is the Primeserv IntHR**grate™ Model?**

HR ALIGNMENT WITH BUSINESS STRATEGY AND STRUCTURE

Business strategies are implemented to utilise all assets cost-effectively with the aim of attaining stated corporate objectives.

Key questions are:

- Where are we going and what do we want to achieve?

HR contributes to this goal by assessing, training and developing available resources for current and future needs, performance monitoring, resourcing, outsourcing and maintaining and supporting the organisation's human capital.

- What needs to be done with regards to human capital to achieve the business strategy?

The HR function should implement, measure and manage the entire HR value chain to ensure that an organisation has the human capital required to achieve its strategy.

HR PROCESSES

Results of human capital and the HR function can most effectively be measured tangibly when all HR processes are integrated.

- **Competency Assessment**
  The constantly changing business environment demands that people's skills and competencies be assessed continuously so that the business is fully aware of the output and value offering of its human capital at all times. Accurate assessment will ensure that the right people with the right competencies and skills are recruited for the right positions.

  Such assessment will enable identification and development of people with potential to meet career aspirations, aligning their development with future business needs through targeted training programmes.

- **Training and Development**
  Real business needs must dictate training and development. In addition, training and skills development interventions should meet the needs of the individuals concerned and, in the light of South Africa's own circumstances, be aligned with national imperatives in terms of continuous critical skills development.

- **Performance Management**
  Performance measures from strategic to operational levels are essential in tracking performance against business strategy to allow short-term remedial actions to be taken and adjust medium to long-term HR initiatives.

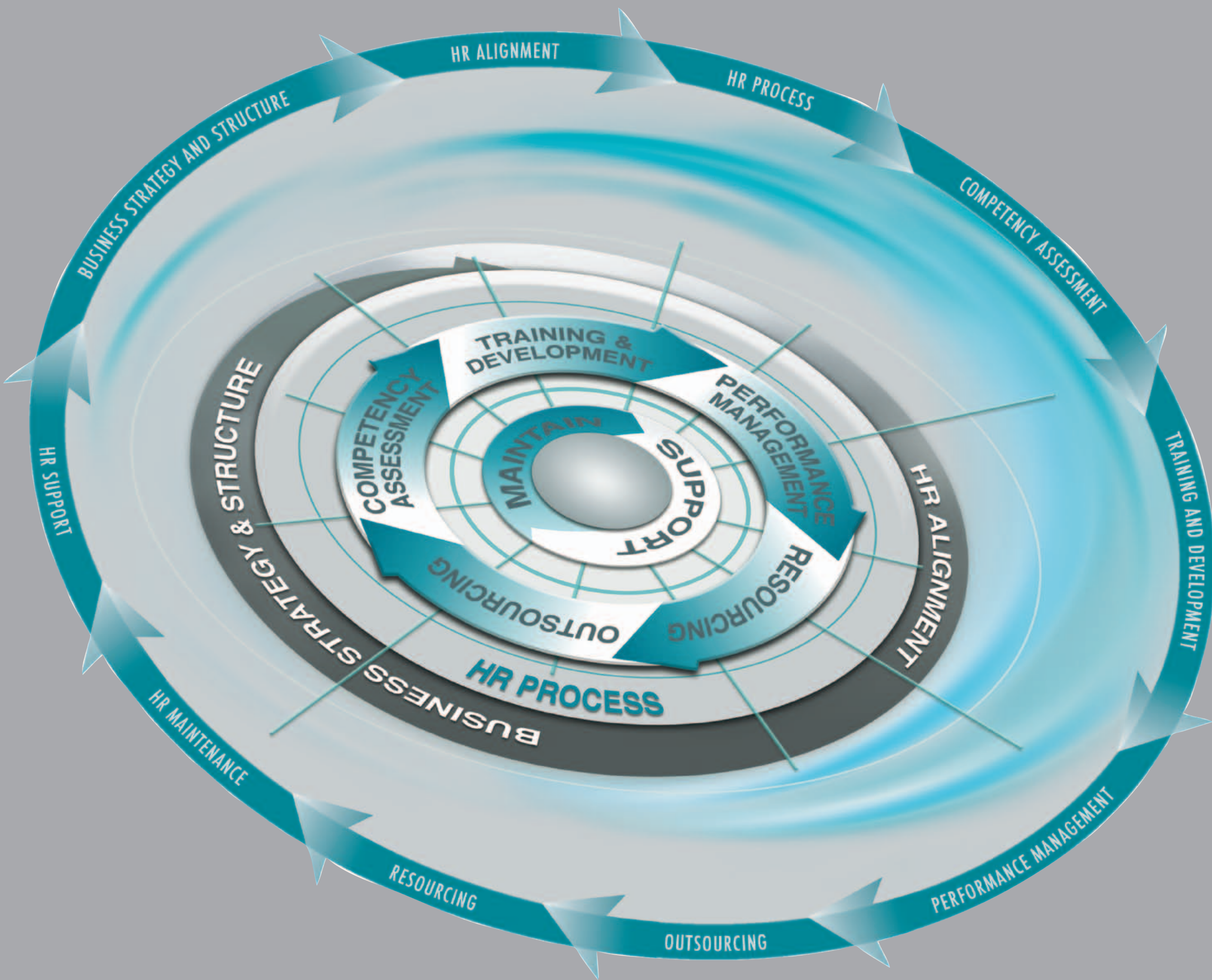
- **Resourcing**
  Profiled, assessed and competent permanent staffing is core to meeting an organisation's operational needs.

- **Outsourcing**
  The right skills in the right place at the right time in the right numbers are key to productivity and optimal operational performance. In the current business environment, flexible staffing solutions provide organisations with cost-effective, sustained staffing solutions which enable them to match staffing needs to operational requirements.

- **HR Maintenance**
  Efficient HR administrative systems will ensure that organisations meet their contractual obligations to their staff's overall satisfaction and ultimately their performance. These include payroll, reward and remuneration, health and safety and industrial relations.

- **HR Support**
  Employee emotional wellbeing has a direct impact on performance. Such wellbeing is managed and nurtured through effective career and succession planning, stress/burnout management strategies, individual coaching and counselling and related interventions and HIV/AIDS initiatives.

The Primeserv IntHRgrate™ Model



The Primeserv Int**HR**grate™ Model differentiates Primeserv HR Services as a specialised operation providing 360° integrated or modular suites of benchmarked HR products, services and solutions. It enables Primeserv to unlock the entire HR process as a value driver in clients' businesses.

Directorate

1 J Michael Judin*

Non-Executive Chairman (62)
Dip Law
Appointed: August 1997

Michael is a director of Johannesburg-based law firm Goldman Judin Inc. He is legal adviser to and director of The American Chamber of Commerce in South Africa. He is a Non-Executive Director of Set Point Technology Holdings Limited and Nu-World Holdings Limited.

2 Merrick Abel

Chief Executive Officer (49)
BA (Hons), MBA
Appointed: August 1997

Director of numerous Primeserv subsidiaries. Since founding the Group in 1997 Merrick has served as CEO and was Executive Chairman from 2000 to 2003. He has over 22 years' local and international commercial experience, particularly in the industrial and services industries.

3 Allan T McMillan#

Executive Director (46)
BA
Appointed: September 2004

Allan has been a director of various subsidiaries of the Primeserv Group since its listing and is currently Managing Director of its Outsourcing division. He has been in the flexible staffing services sector for the past 16 years. Prior to this he was involved in the financial services sector.

4 Prof Saul Klein†*

Non-Executive Director (50)
BA (Econ), MBA, PhD
Appointed: March 1998

Saul is the Lansdowne Professor of International Business at the University of Victoria (Canada). Saul held the South African Breweries Limited Chair of International Business and was Professor of Marketing at the Wits Business School. He has also held academic appointments at leading universities in Canada, the USA, Singapore and Australia.

5 Letepe M Maisela*

Non-Executive Director (59)
BA Soc Sc
Appointed: December 2008

Letepe is the Managing Director of Village Management Consulting (Pty) Limited. He has over 25 years' experience in marketing and management consulting. He is the founder and chairman of Tsabatsaba Holdings (Pty) Limited (formerly Kgorong Investment Holdings (Pty) Limited). Letepe is currently Chairman of International Finance Group (IFG), the Harvard Business School committee – South Africa and Underline Advertising Agency. He is also a director of The Limpopo Trade and Investment Agency, Kayamandi Resources and The National Arts Festival – Grahamstown.

6 David L Rose*

Non-Executive Director (67)
BCom, BA, CA(SA), F.Inst.D
Appointed: February 2005

David is an independent consultant. He spent 41 years with Fisher Hoffman, a major national firm of Chartered Accountants. He became a partner of the firm in 1970 and was Managing Partner of the Johannesburg office as well as Chairman of the National Practice from 1991 to 1998. He is a Non-Executive Director of Super Group Limited and Celcom Group Limited.

7 Desmond C Seaton

Non-Executive Director (49)
BCom, LLB, Dip Tax
Appointed: August 2003

Desmond is a founder member of Thoth Consulting CC, a tax and legal consultancy. He specialises in corporate, legal and tax advice. He is also a Non-Executive Director of ISA Group Limited and Set Point Technology Holdings Limited.

British † American * Independent
Ages as at 19 March 2009

Non-Executive Chairman's statement

During the review year, the global credit environment has impacted negatively on economic conditions, resulting in a significant decline in stock market valuations and commodity prices, worldwide recessionary conditions and a global liquidity crisis.

The local economic environment has been characterised by high inflation and interest rates which have impacted on both market sentiment and consumer confidence. The recent interest rate moderation is likely to have a positive effect on market conditions only towards the latter part of the current financial year.

As a result of the global economic slowdown, 2009 sees South Africa enter into a recession for the first time in seventeen years. GDP growth showed a contraction of 23% in mining and agriculture, 15,5% in manufacturing and 0,5% in the services sector. It is of particular concern that the weakness has spread from the mining and manufacturing to the services sector, which makes up more than 60% of the economy. The International Monetary Fund revised its global growth forecast for the current year from 0,5% to a negative 1,3%.

Locally, business has also had to contend with concerns about the availability of power as well as its increasing cost. On the socio-political scene, there have been ongoing protests about poor service delivery and mounting dissatisfaction with the high levels of unemployment and the increasing incidence of crime. Skills continue to be in short supply, on a national as well as a global basis, driving competition to new heights. These factors are contributing to a growing awareness among South African companies of the need to change the parameters of their human capital practices if they are to remain competitive in the global environment.

Against this background, Primeserv has continued to record a positive performance, producing a strengthened balance sheet and improved income statement. These results have been facilitated by the strong leadership provided by a management team characterised by their integrity, dedication and work ethic. Ongoing investment in internal capabilities combined with cost containment has strengthened and refined structures, resulting in a positive impact on the bottom line.

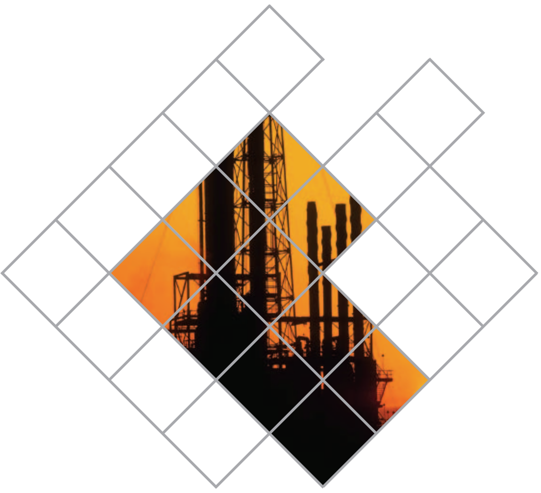
The Group's transformation initiatives have progressed well during the year under review culminating in a healthy scorecard rating at a level 3. The methodology adopted in verifying the scorecard rating was overseen by the independent rating agent, Harvard Empowerment which is accredited by SANAS and listed by the Services SETA as a recommended selected participant in the B-BBEE EME Certificates Project.

The rating as a Level 3 Contributor includes a "Value Added Supplier Procurement" recognition and is valid for twelve months.

To not only maintain but improve on this status, the Group is focusing on three particular areas:

- An increase in ownership by black women as well as their representation at top management levels
- An increase in the spend of the training budget on skills development
- Development of a network of reliable black women-owned service providers/procurement partners

The Group supports B-BBEE unreservedly, recognising it as a business and moral imperative to develop the nation's potential. Job creation and the development of solutions to the skills shortage within South Africa and its neighbours in the SADEC region are crucial for the future.



In this environment, Primeserv's contribution through its corporate and vocational programmes and its colleges is significant, particularly in relation to training historically disadvantaged individuals who are being provided with essential skills for the job market. Many of these newly skilled individuals are registered on Primeserv's own staff outsourcing database. Primeserv is thus instrumental in adding to the national resources pool while also helping government meet the labour needs of its infrastructure projects, including ASGISA, FIFA 2010 World Cup initiatives and the Extended Public Works Programme.

Temporary employment services are currently under pressure and Primeserv is working closely with government and interested parties to manage the regulation of the industry. The defensive nature of the Group portfolio with its overweight exposure to blue-collar flexible staffing, the sizeable ongoing infrastructural spend in the country which occupies these workers, the persistent skills shortage, internal productivity projects and certain potentially lucrative market opportunities should all combine to stand the Group in relatively good stead.

Primeserv is committed to South Africa and believes that the productive capacity of our economy should be kept intact so that there can be a timeous response to increased demand as the global economy recovers. A crucial element of ensuring a stable macro-economic environment is the adoption of sound fiscal and monetary policies, which government has committed to. We therefore remain positive about South Africa's economic future.

The Group prides itself on its integrity and business ethics as a way of life, implementing strong corporate governance practices and adhering to the principles espoused in the King II Report. Processes and systems undergo regular review in conscious efforts to improve all aspects of corporate citizenship.

My fellow directors have consistently provided strong moral and business guidance, support and encouragement and I deeply appreciate the excellent working relationships I have enjoyed during the year.

J MICHAEL JUDIN
Non-Executive Chairman

Johannesburg
19 March 2009

Chief Executive Officer's review

The success of strategies implemented over the past few years has been demonstrated through the steady increase in both turnover and operating profit. Headline earnings per share have risen by 28% as a result of a 14% increase in turnover to R540 million and a 22% rise in operating profit.

Over the years, Primeserv has been honing its understanding of the human capital market while also gaining deeper insight into the business imperatives of its own clients. The Group's sensitivity to the local environment has led to Primeserv's decision to adopt a modular format to familiarise its growing stable of clients with the global view of the human resources chain as an integrated operation. The results reflect that this was the correct strategic decision. Increasingly, clients are appreciating the value of entrusting the entire human capital resources chain to one professional organisation. There is a gradual move away from in-house efforts to source, place, train and manage human resources to outsourcing so that clients can concentrate on their own core business.

Clients have noted the benefits of implementing one or more of our HR products, services or solutions modules through their own improved performance and productivity. As the trying economic climate clamps further restraints on business, the need to drive efficiencies is exacerbated, and this has further accelerated market acceptance of Primeserv's range of offerings. Many organisations now outsource their entire portfolio of human capital requirements to Primeserv. HR integration is becoming more accepted, due to Primeserv's proven ability to marry local characteristics and requirements with global trends. The versatile and flexible human capital solutions which Primeserv offers to businesses confronting economic uncertainties are promoting this development further.

Building on its own managerial and executive experience, Primeserv has consistently strengthened its operational capabilities, refining products, services, operational and organisational systems and structures. The core management team continues to sharpen its entrepreneurial bent which has effectively drawn the best from employees and successfully stimulated development. There is an ongoing drive for ever-improved business efficiencies which keeps key strategic and operating units focused on achievement.

Human Capital Development and Human Capital Outsourcing constitute an interlocking unit, able to deliver tailor-made, comprehensive services and solutions or single-set solutions and modular components to clients nationally through the Group's proprietary Int**HR**grate™ Model which has established Primeserv HR Services, the Group's operating pillar, as a leading human capital services provider.

Primeserv continues to focus on investing its human capital resources in researching and designing innovative and practical HR products, services and solutions as well as in its own human and financial potential so as to ensure that it remains at the forefront of delivering integrated human capital options to a constantly growing client base.

Primeserv's two-pronged approach to providing staffing solutions, through both strategic placement as well as skills development, is one of its main strengths and a significant differentiator in the markets in which it operates.

Int**HR**grate™ MODEL

The flagship of the Group's operations is the Int**HR**grate™ Model. Designed to provide a comprehensive suite of HR products, services and solutions, it is being increasingly accepted and implemented across a growing range of client industries. The modular structure enables businesses to apply specific products at specific periods, providing a structured focal point from which they can draw on additional components as they become more relevant. In this way, both the client and Primeserv are able to align appropriate HR and IR strategies to deliver superior productivity and performance within all tiers of an organisation. Having to comply with the requirements of a complex and often onerous legislative environment has led employers to a growing awareness and appreciation of the value and benefits which the Int**HR**grate™ Model can deliver to their organisations.

ECONOMY

The repercussions of the global credit crisis have brought home the fact that albeit to some extent cushioned from the fall-out, South Africa is by no means an island, but increasingly dependent on the sustained wellbeing of its global trading partners. Its economic growth has also been affected adversely by the diminishing demand for raw materials, which has had an impact on the demand for beneficiated goods and associated services. Fortunately, these negative influences have been countered to some degree by the awarding of the 2010 FIFA World Cup to South Africa and the implementation by government of its infrastructure capital development projects.

Together, these two developments are providing a welcome fillip to the economy. Primeserv has been both a direct and indirect beneficiary of the various capital initiatives instigated by these projects. Nevertheless, overall consumer confidence is still at low ebb, despite aggressive interest rate cuts by the South African Reserve Bank and inflation continues to exceed its mandated targets.

Two issues in particular must receive urgent attention if South Africa's economy is to grow sustainably: productivity and skills development. Recently released reports downgraded South Africa to 45th out of 134 countries in global competitiveness. This is a worsening of the country's rating over the last of two years. The skills level of blue collar workers has been identified as the biggest obstacle to business by 22,3% of respondents surveyed and crime by 19,8%. South Africa was placed in the bottom 10 rankings for crime, inflexible labour regulation and the costs to business of HIV/AIDS and tuberculosis. Both the public and private sectors need to join together in a concerted drive to develop the skills which the economy needs, particularly among blue-collar workers.

SUSTAINABILITY

A fundamental tenet of Primeserv's operations since its listing on the JSE has been to enhance stakeholder wealth and deliver sustainable earnings growth. Sustainability is a cornerstone of all Group investments and operations and we have not shied away from tough decisions in delivering a sustainable business. Sustainability requires a two-pronged approach: introspective appraisal of what we are doing wrong, together with an appreciation of what we are doing right. Only in this way can we enhance and implement the best solutions in operational units across the Group. This approach is complemented by ongoing evaluation of the physical, social and legislative environment within which the Group operates. Sustainability is the end result of short and long-term strategies and processes that will deliver measurable economic benefit to all stakeholders.

TEMPORARY EMPLOYMENT SERVICES

The prospect of further regulation governing the contract labour market (TES industry), initiated and driven by the trade union movement, has recently received extensive public attention and has become an issue with which Primeserv, in its capacity as a founding member of CAPES, is intimately involved. Established in 2002, CAPES has become the voice of the TES sector to ensure that the interests of all are properly represented in macro-level activities. Primeserv is also represented on the Services SETA's Labour Recruitment Chamber Board and participates in the development of several training initiatives to upgrade the TES industry.

The TES industry, while accounting for a small portion of the economically active population in South Africa, nonetheless makes a vital contribution to the economy. It is a multi-billion Rand industry, providing jobs for approximately one million assignees on any one day, which translates into economic support for millions of dependants. Some 32% of these assignees progress into permanent employment, enabling TES to act as a channel for the unemployed, under-employed and those who have difficulty obtaining employment in the formal labour market because of inexperience or age. The TES industry not only contributes in this way to the national GDP through its tax base, but it also supports many critical government initiatives such as ASGISA and JIPSA.

On the skills development front, TES play a leading role in upskilling thousands of employees through the formal learnership process. It is responsible for some of the largest learnership programmes in South Africa.

Despite these positive outcomes, there have been repeated calls within the governing party and its allies to ban labour brokers, despite the TES industry's crucial contributions to growing employment and skills in South Africa. CAPES has been proactive in countering these moves to ban the TES industry by promoting self-regulation, encouraging the industry to contribute to social responsibility initiatives, engaging with government and unions and highlighting the negative impact banning could have on both the labour market and the economy. To date, CAPES has published a well received Code of Professional Conduct for Labour Recruitment, and has developed positive relationships with institutions, BUSA, NEDLAC, government and unions, the ILO, numerous bargaining councils and SETAs.

Chief Executive Officer's review

Primeserv is also a founder member of several regulatory and representative organisations including the CEALBD and the TESD which represents the professional white-collar industry. As a member of SEIFSA, it is active on the MANCO and sector boards of all the largest bargaining councils, where it has helped professionalise the industry and represent it at key forums. Primeserv's involvement with BUSA has encouraged participation in national strategic engagements and programmes such as B-BBEE research, decent work programmes, social security and retirement reforms, union engagement, NEDLAC's Labour Market Chamber, COIDA regulation, the restructure of SETAs and the review of the Manpower Training Act and Skills Development Act.

FINANCIAL REVIEW

Consolidated Group operations grew revenue by 14% from R484,20 million for the twelve months ended 31 December 2007 to R539,88 million for the year under review. EBITDA increased by 20% to R23,64 million. Group operating profit at R21,77 million reflects a 22% improvement year-on-year. Profit after tax increased by 29% from R13,83 million to R17,85 million resulting in headline earnings per share improving by 28% from 12,06 cents per share to 15,41 cents per share for the current year.

The Group's operating margin percentage increased from 3,8% to 4,0% reflecting improved operating efficiencies.

The balance sheet remains strong although working capital invested in trade receivables is higher than optimal. Trade receivables increased from R76,76 million to R91,98 million. This is primarily attributable to the Staff Dynamix and Denverdraft acquisitions. The investment in working capital has resulted in a higher level of borrowings and associated interest costs than in the previous year. The Group remains focused on improving working capital management. Cash flows from operating activities have progressed from a negative outflow in the previous year to a positive inflow in the current year. The overall cash flow, however, is negative as a result of investing and financing activities. Net asset value has increased by 25% from 49 cents per share to 61 cents per share.

KEY RISKS AFFECTING OPERATIONAL PERFORMANCE

Interest Rate

As part of the Group's interest rate risk mitigation, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Credit

Credit risks consist mainly of cash deposits and trade receivables. The Group's approach is designed to limit exposure with any one financial institution, thus ensuring that the Group's cash is placed with financial institutions with a high credit rating.

The same strategy of mitigating risk is adopted for trade receivables across a widespread client base in diverse industries, limiting over-exposure to any one client, industry or region. Terms are offered based on an assessment of credit risk. Where available and cost-effective, credit insurance is used. Management evaluates credit risk relating to clients on an ongoing basis.

Liquidity

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

FirstRand Bank Limited has granted credit facilities to address potential liquidity shortfalls.

FINANCIAL STRATEGIES AND TARGETS

Organic growth remains a primary Group imperative. Rate of return will be improved by enhanced efficiencies, by working capital and margin management and by maximising return on assets. We will continue to assess acquisition opportunities in the context of their contribution to overall Group performance as well as in relation to the industries within which they operate.

STRATEGIC REVIEW

As an investment holding company, Primeserv has adopted a primary focus on the human capital industry. Consequently, its objective has been to position all operational divisions as market-driven and client-centric, offering an integrated HR value proposition.

Primeserv's Int**HR**grate™ Model is the key platform for Primeserv HR Services, the Group's primary operating component.

Primeserv's Int**HR**grate™ Model, described in detail on pages 6 and 7, is the Group's proprietary service offering which differentiates Primeserv from other roleplayers in the industry. The Model has been developed from Primeserv's in-depth understanding of and expertise in the entire HR process from both strategic and operational perspectives. The Int**HR**grate™ Model delivers 360° integrated or modular suites of benchmarked, market-leading HR products, services and solutions which unlock the entire HR process as a value driver in clients' businesses.

Primeserv operates in a dynamic market. Consequently it has adopted a strategy of ongoing internal re-appraisal and evaluation. Complemented by current research and development, this approach ensures that the Model remains relevant and appropriate to changing client requirements. The organisation is recognised as a major player in the South African business-to-business environment, providing sophisticated, practical and specialised HR solutions as epitomised by the Int**HR**grate™ Model. The focus on refinement and improvement ensures that new technology and global best practices are implemented where financially and operationally viable. Primeserv's emphasis on meeting clients' requirements has led to its ability to customise for varying business and industry sectors.

The result is the creation of long-term relationships with clients who entrust the majority of their human capital requirements to Primeserv with concomitant benefits to themselves.

Primeserv plays a leading role in introducing the South African market to global human capital management trends, moving away from limited internally-focused HR solutions to comprehensive, outsourced management. It is an important development for businesses which wish to remain competitive and offer nurturing and sustainable growth environments to employees. Not only are they able to remain relevant to rapidly changing employee and business needs, but they can free their own resources to concentrate on core activities. This is particularly vital in a business climate characterised by skills shortages, economic contraction and the accompanying volatility of staff demands. The tailored HR services and products which Primeserv makes available are crucial elements in the arsenal of any business trying to weather such conditions.

The strategy for the year ahead continues to be one of maintenance and growth and development, where possible. Increased market penetration of the Int**HR**grate™ Model remains key as Primeserv's comprehensive, outsourced human capital function provides a significant edge to its clients. Investment will continue to be made in the Group's internal capacity to ensure that it has the resources to drive its market programmes and maintain its competitive strategic advantage. The working environment is one of the first beneficiaries of this mindset, providing a milieu in which employees are encouraged to engage, contribute and play a meaningful role while developing their own potential. This in turn is establishing Primeserv as an employer of choice and a preferred service provider to businesses.

The values, principles and strategies, constantly monitored and directed by the Group's Central Services team, form the essential core of Primeserv which has created the dynamism that sparks the Group's evolution. Primeserv has benefited from Central Services' strategic direction and tactical business planning. The focus on investment, financial control and analysis of resource allocation, risk assessment and the productive management of the operational divisions positions the Group to capitalise on market opportunities.

OPERATIONAL REVIEW

In line with the strategy of reviewing divisions' organisational and operational structures and activities on a regular basis, a consolidated operational plan was developed, further streamlining Group operations and unlocking measurable efficiencies within the Group. Re-evaluation at every level takes place at least once a quarter to optimise performance and contain costs without prejudicing underlying operations.

PRIMESERV HUMAN CAPITAL DEVELOPMENT

(Incorporating the Primeserv HR Solutions and Primeserv Colleges divisions)

Primeserv HR Solutions

The HR Solutions division comprises the HR Consulting and Corporate Training and Technical Training units. The year under review has been characterised by careful and steady progress in this division which continues to make a positive contribution to the Group.

The HR Solutions division's HR Consulting and Corporate and Technical Training units have improved their year-on-year performance and continue to provide key strategic value to the delivery of Primeserv's Int**HR**grate™ Model.

Chief Executive Officer's review

HR Consulting and Corporate Training

This operation delivers a comprehensive range of HR consulting and corporate training services in line with Primeserv's proprietary Int**HR**grate™ Model. Key products and services include: HR Strategy (HR strategy, structure and profiles, HR audits, change management), Competency Assessment (competency profiling, skills audits and behavioural and technical assessments), Training and Development (business and entrepreneurship, office and administrative, management and supervisory and client service training), Performance Management (balanced scorecards, job profiles, performance agreements and performance management training to empower line managers), and General Consulting Services to maintain and support human resource capital in organisations.

The Corporate Training unit is accredited by the ETDP SETA. It has enabled numerous client organisations to realise their skills development imperatives. Options for training delivery have been increased to include the following:

- Extensive public course schedules offered on a national basis. This is suitable for small to medium-size clients, or those who cannot release large numbers of learners at any one time because of operational constraints
- Customised in-house interventions
- Purchase the programme/train the trainer and/or licence agreements for those clients who have built their own internal assessment and moderation capability

The Corporate Training unit focuses on providing learners with credits towards the following qualifications:

- Business Administration (NQF 3 and 4)
- Education, Training and Development Practice (NQF 5 and 6)
- Management and Generic Management (NQF 4 and 5)

Leveraging its success and applying findings of ongoing research and development have enabled this unit to increase its market share in the provision of essential ETDP-related training, being Assessor, Moderator, Train the Trainer and SDF training.

The HR Solutions division has implemented the outsourced service delivery model during this period successfully, while contributing to the profitability of the operation. It will consequently continue as the business model for this operation.

The main focus has been on reintroducing and building the full range of revitalised HR Consulting products and services to the market. The strategy has been successful, promoting a greater involvement with client organisations in structuring, profiling, skills audits, assessment and performance management processes.

Technical Training

The Technical Training unit is accredited by both the TETA and CETA SETAs and by the DoL and has assisted many client organisations to realise their skills development imperatives. Options for training delivery have been increased to include the following:

- Project management of learnerships
- Purchase the programme/train the trainer and/or licence agreements for those clients who have built their own internal assessment and moderation capability

This operation delivers training focused on skills programmes and/or full qualifications in the following fields:

- Transport training (lifting equipment and operator training – operating lift trucks, operating cranes, lifting equipment operator training)
- Heavy plant and equipment training
- Driver training (learner licences, Codes EB, C1, EC, anti-hijack, load securing extra heavy-duty vehicles, advanced driver training, 4x4 off-road)
- Construction training (carpentry, community house builder, masonry, painting, plumbing, plastering and tiling, multi-skill training – trade test preparation)
- Health and safety training (health and safety, first aid, fire-fighting, risk analysis, evaluation, carbon monoxide, chainsaw and felling and brush cutter)

During the review year, the Technical Training unit trained 8 908 learners, 56% of whom were transport-related, 14% health and safety-related and 30% construction-related. Courses for construction training on site have been extended to incorporate 30 and 45-day on site training modules for trade test preparation purposes.

In September 2008, the Technical Training unit moved to a new customised and dedicated technical training facility in Johannesburg. Up to 250 learners can now be accommodated for consecutive training at this construction training facility. The unit has appointed preferred accommodation suppliers and caterers in the area, enabling it to offer learnerships, trade test preparation and skills programmes over short and long periods.

The unit will continue to cooperate with Primeserv Outsourcing in a strategy of embarking on projects that develop scarce skills as identified by the Services SETA and other relevant bodies. In this way it will make a measurable contribution to national imperatives relative to skills and labour requirements.

Joint ventures with B-BBEE training companies play an important role and are mutually beneficial. Such initiatives enable Primeserv to gain access to facilities and equipment in key locations without having to make major investments in costly infrastructure and incur unnecessary overheads. B-BBEE partners in turn benefit from Primeserv's top quality personnel, products and services. This enhances the unit's flexibility and delivery capability.

Primeserv Colleges

The division operates primarily through its Stanford Business and Computer Colleges and Working World Colleges brands. It provides a technology-driven learning environment, delivering skills mainly to historically disadvantaged learners/students who seek access to the job market.

The Colleges division experienced a poor year. This can be attributed largely to the lower-than-normal learner registrations which resulted from the once-off opportunity afforded to learners to re-write their matric examinations. The unit is also particularly susceptible to economic decline in view of the target market in which it operates. Consequently the full-year results were well below expectation. Various initiatives were implemented to mitigate the decline in the unit, including the closure of a few non-performing colleges. Students enrolled at these colleges were given the opportunity to attend other colleges within the Primeserv Colleges network or to avail themselves of distance learning options to complete their studies.

Several colleges, however, performed admirably during the review period, lending themselves to additional infrastructure investment. This was particularly the case at colleges designated as Microsoft Academies which have the requisite resources and skills to deliver courses which meet Microsoft's stringent criteria.

The Colleges offer a range of training courses and programmes of varying duration. Course offerings include computer skills training for the recognised MCSE qualification. The accreditation during the year as a Microsoft Academy further enhanced our reputation as a provider of quality education. In addition to numerous IT courses, the Colleges also offer business-related courses and secretarial and call centre training, many of which have been accredited by the London Chamber of Commerce and Industry as well as by South African accreditation authorities.

Distance learning products are updated on an ongoing basis to attract new learners.

The Colleges and Outsourcing divisions are implementing initiatives to align their service offerings to enable them to provide an integrated solution to changing labour market requirements. This includes improved listing of Colleges' graduates on the Outsourcing operation's database for placement. The initiative provides the Outsourcing division with access to a new pool of skilled staff while simultaneously promoting study within the Colleges division as a means to improving learners' workplace opportunities. Similarly, staff employed by the Outsourcing division are encouraged to improve their skills by using the Colleges division's product offerings.

The Colleges division is currently identifying those skills in short supply in the country which it can develop within its own college network, particularly where such skills overlap with needs specific to the Outsourcing division's requirements.

At this point, certain courses and training programmes have already been introduced to address this need. The joint venture between the Colleges and Outsourcing divisions to provide call centre training through the Colleges' national network is producing call centre staff for placement in the market.

During the review period, the Colleges division trained over 5 000 learners. Enrolments during the current financial period indicate that despite economic pressures facing the market segment from which learners are traditionally attracted, learner registration at the Colleges unit will be better than that for 2008. This would also imply that there is an increasing recognition of the value of FET as provided by Primeserv Colleges.

Chief Executive Officer's review

The consolidated Human Capital Development segment delivered net sales of R38,2 million, down 5% on the previous year, and an operating profit of R2,7 million which was down 46% compared to the prior year.

PRIMESERV HUMAN CAPITAL OUTSOURCING

(Incorporating the Primeserv Outsourcing division)

Primeserv Outsourcing

The division comprises the Group's flexible and contract staffing offerings, niche permanent resourcing unit, mega-project wage bureaus, HR and IR support services and HR logistics solutions.

The Outsourcing division, which specialises in flexible staffing solutions to business and heavy industry, increased revenue by 16% from R433,96 million to R501,72 million, with its operating profit increasing by 17% from R23,79 million to R27,76 million. The logistics, warehousing, construction and industrial flexible staffing units performed well. The professional draughting and engineering staffing unit remained constrained by the ongoing dearth of suitably qualified and experienced contractors. The Group acquired the complementary white-collar professional staffing business, Denverdraft, with effect from 1 August 2008 and the results and balance sheet effects are incorporated from that date. It is anticipated that the full benefits arising from this acquisition will be realised during the course of 2009. The division's mega-project wage bureau unit improved its year-on-year performance.

A constantly updated database of thousands of skilled, semi-skilled, unskilled, blue-collar, white-collar and professional personnel enables Primeserv Outsourcing to meet the flexible staffing requirements of organisations across a broad spectrum of industry sectors in which it has specialised expertise.

The division operates locally and internationally providing temporary, long-term and permanent placements for clients across the entire business spectrum, in both the public and private sectors.

The increased competition the market is currently experiencing is being driven by global skills shortages. As a result, there is a heightened demand for improved productivity, maximum resource utilisation and consequently, greater workplace flexibility. In South Africa, the situation is further exacerbated by the additional factors of an uncertain power supply, high unemployment and poverty. In such an environment, the division's outsourced flexible staffing solutions, provided in both integrated and modular formats in line with Primeserv's Int**HR**grate™ Model, are well positioned to render deliverables.

In addition, the Outsourcing division offers client-centric solutions which are customised to the requirements of complex HR and IR challenges, finding an appropriate balance between the demands of organised labour, the commercial marketplace and government legislation. This has made it a provider of choice for numerous organisations across both regional and sector divides.

The acquisition of Staff Dynamix, a labour outsourcing business operating primarily in the logistics, industrial and retail sectors, has been bedded down. The business is delivering in line with expectations and its value contribution will be reflected more clearly in the year ahead.

The acquisition of the "white-collar" business of Denverdraft, with effect from 1 August 2008, is of both strategic and commercial value. It is expected to increase the "white-collar" operating unit's pool of highly qualified engineers and draughtsmen and solidifies Primeserv as a leading supplier of these professional skills.

The acquisition of additional, established and reputable brands constitutes one of the pillars of Primeserv's strategy in the flexible staff outsourcing sector and is a means to providing greater market penetration in areas where Primeserv does not have branches or capabilities. The strategy results in an expanded skills pool and adds further depth to Primeserv's own resources.

Primeserv Outsourcing ensures that the Group's systems, financial controls and corporate processes are incorporated and implemented into the acquisitions, while the brands themselves, such as Staff Dynamix and Denverdraft, retain their own culture, sales mechanisms and internal organisational culture. This ensures that they continue to operate according to their familiar modus operandi, while still imposing financial and governance disciplines aligned with Primeserv's standards and requirements in terms of legal and statutory compliance. In this way, the entrepreneurial style which lies at the heart of Primeserv's own philosophy is stimulated, embedded and further developed.

The outsourcing component of the Bathusi operation, which specialises in the provision of flexible staffing to the petrochemical, mining and allied industries, grew revenue by 23% from R49,9 million to R61,5 million. This revenue was deconsolidated from the Group's results as a result of the B-BBEE transaction.

The Outsourcing division, together with the Group's other HR Services divisions, continues to seek solutions which address the limitations caused by the national skills shortage. Primeserv is positioned to adopt a two-pronged approach, not only placing skilled personnel, but also training people in skills which have been identified as those which are critical to the growth of the economy.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The Bathusi Staffing Services (Pty) Limited transactions, concluded in 2007, involved the transfer of a 25,8% interest in several Group operating subsidiaries to B-BBEE entities. This share is held by Tsabatsaba Holdings (Pty) Limited (formerly Kgorong Investment Holdings (Pty) Limited) (7,9%); Lidonga Group Holdings (Pty) Limited, a women's B-BBEE investment company (7,9%); Siyakhula Trust, a Section 18A social responsibility trust (2%) and B-BBEE management and staff (8%).

A further B-BBEE project is Empvest Outsourcing, the Group's joint venture with the South Cape Empowerment Network (Pty) Limited, which holds 51,8% while Primeserv holds the remaining 48,2%. Empvest enjoys success in the Eastern Cape as the key HR staff outsourcing and wage bureau supplier to Coega and other major players in the region. Empvest also provides wage bureau services to the multi-billion Rand Gautrain project.

The strategic alliance between Primeserv HR Solutions' Technical Training unit and Ikhaya Fundisa, a provider of technical training, combines the latter's high-quality training centre with Primeserv's market-leading products and training courses to deliver customised technical training to industry.

The Group continues to set new targets for additional B-BBEE initiatives with specific emphasis on skills development, employment equity, preferential procurement, enterprise development and corporate social investment to broaden the narrow focus on the transfer of ownership.

Primeserv Group Limited was recognised as a Level 3 B-BBEE contributor for the year under review. This rating includes a "Value Added Supplier Procurement Recognition" at 137,5% in terms of the Broad-Based Black Economic Empowerment Act and is valid for twelve months. The Group scored between 75% and 85% on the generic scorecard indicator, making it a strong B-BBEE contributor and fully compliant in terms of the Act. Primeserv's rating improved from number 55 in 2008 to number 12 in the authoritative Financial Mail/Empowerdex survey in 2009. The Group will leverage this position to promote further transformation during the year ahead.

The Group actively endorses the principles of affirmative action and not only encourages the recruitment of men and women from historically disadvantaged communities, but also seeks to uplift existing employees through promotion and/or reassignment to other positions within the Group.

CORPORATE SOCIAL INVESTMENT

Sustainable upliftment of historically disadvantaged sectors of our community is the main policy which drives Primeserv's social responsibility strategy.

Most of the Group's CSI initiatives are focused on the youth, who not only represent the economic future of South Africa, but are also particularly vulnerable to the challenges facing the country.

The Group's new project, known as "PrimeKids", aims to coordinate several internal initiatives into a single, focused, national scheme to address issues concerning homeless under-age children. PrimeKids will provide these children with access to certain basic needs and the skills they will need to become productive members of society through bursaries for training provided by the Technical Training and Colleges operations.

Primeserv provides financial and professional support to the Siyakhula Trust which plays an important role in building leadership capacity among the youth in Gauteng townships.

Primeserv has concentrated on initiatives which provide opportunities to young people particularly those in rural areas and those infected and affected by HIV/AIDS.

Primeserv cooperates with NGOs aligned with its own core activities to provide skills training through the training component of the HR Solutions division. This includes bursaries and subsidised computer and vocational training through the Colleges division. Relevant NGOs have been identified and ABET programmes have been developed and are being implemented in consultation with appropriate parties to provide maximum benefit to participants.

Chief Executive Officer's review

CORPORATE CITIZENSHIP

The Board is committed to the principles of openness, integrity and accountability and to the provision of timeous, relevant and meaningful reporting to all stakeholders. The Board subscribes to the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance II.

Salient features of the Group's corporate governance policies and procedures as well as on sustainability are recorded on pages 19 to 29 of this report.

PROSPECTS

The Group's primary Primeserv brand has established itself as a leading provider of human capital products, services and solutions. It has proved to be an asset to stakeholders and a leading partner in providing value to clients, customers and learners. Primeserv will continue to leverage this position to reinforce its reputation in the year ahead.

The strategy of ongoing re-appraisals and re-evaluations to refine human capital products, services and solutions keeps Primeserv close to changing market requirements and enables it to remain relevant and effective. Ongoing investment in the Group's management team, staff and organisational structure stimulates both the sales process and support infrastructures and boosts levels of service and professionalism.

The constant aim is to create a work environment where staff are stimulated, encouraged to engage and develop their own potential. This is complemented by internal training and programmes for personal growth, and balancing work-life demands. Such initiatives promote Primeserv as an employer of choice, enabling it to attract high calibre employees.

Appropriate B-BBEE initiatives which provide the Group with increased market opportunities are continually being considered.

The current economic crisis combined with the Outsourcing division's exposure to the industrial and mining sectors and the economic pressures on learners registered with the Colleges division indicate that difficult trading conditions lie ahead. The Group is focused on maintaining its current market position. To this end it is implementing rigorous cost controls to match cost structures with business performance, but without sacrificing operational capacity and service delivery excellence.

South Africa has to some extent been protected from the worst of the global economic crisis by its fiscal and banking regulatory environment. The infrastructural capital developments currently underway have also provided an impetus to the market. However, prevailing economic uncertainties make any meaningful forecasting of the year ahead an uncertain exercise.

Through its close relationships with clients across a multiplicity of industrial and commercial sectors, the Group retains its sensitivity to changing client demand cycles and trends. Primeserv is thus well placed to benefit from the economic turn-around when it occurs.

ACKNOWLEDGEMENT

The achievements the Group has enjoyed over the past year must be attributed to all those who have contributed, from stakeholders, clients, customers and learners, to suppliers, business partners and shareholders. The Primeserv Board of Directors has consistently provided valuable guidance and support. Ultimately, our success has been made possible by the commitment and drive of our people, who have made Primeserv what it is today.

M. Abel

MERRICK ABEL
Chief Executive Officer

Johannesburg
19 March 2009

Corporate citizenship

CORPORATE GOVERNANCE

The Board and individual directors are committed to the values of transparency, integrity, responsibility and accountability in enforcing the highest standards of corporate governance. They accept their duty to ensure that the principles set out in the Code of Corporate Practices and Conduct as defined in the King II Report are implemented where possible and report specifically on the following:

Code of Ethics and Corporate Conduct

The Group's Code of Ethics and Corporate Conduct has been designed to ensure good business practice. It is complemented by the Primeserv Pledge, which encourages all Primeserv employees to:

- demonstrate integrity in everything they do
- work together to achieve common goals
- celebrate innovation and cherish performance
- perform with professionalism, skill and care
- exceed customers' expectations every day

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

The Board of Directors

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

Responsibility – the Board assumes responsibility for the assets and actions of the Company and corrective actions are taken, if required, to keep the Company on its strategic path;

Accountability – the Board ensures that it is able to justify its decisions and actions to shareholders and other stakeholders who require it to do so;

Fairness – fair consideration is given to the interests of all stakeholders of the Company by the Board; and

Transparency – information is disclosed by the Board in such a manner that it enables shareholders to make an informed analysis of the Company's performance.

The Board embraces the ethics of governance.

The Board comprises three independent non-executive directors, a non-executive and two executive directors and is chaired by JM Judin. It meets regularly and retains full and effective control over the Group. The roles of Chairman and Chief Executive Officer are separated in line with the recommendations of the King II Report and JSE regulations and the Chairman is an independent non-executive director.

The Board directs and controls the management of the Group, is responsible for strategy and fiscal policy and is involved in all material decisions affecting the Group. Full details of the Board of Directors are set out on page 8.

The Board ensures that there is an appropriate balance of power and authority among its members so that no one individual or group of individuals can dominate the Board's decision-making process.

The Board consists of a mix of executive, non-executive and independent non-executive directors. Non-executive directors provide independent judgement on issues of strategy, budgets, performance, resources, transformation, diversity, employment equity and standards of conduct. They are also responsible for ensuring that the Chairman encourages proper and appropriate deliberation of matters requiring the Board's attention. The independence of independent non-executive directors is assessed annually by the Board.

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

Corporate citizenship

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 Company information, records, documents and property. All directors have access to the advice and services of the Company Secretary and where they deem it necessary, directors may obtain independent professional advice at the Group's expense. This enhances the Board's decision-making capability and the accuracy of its reporting.

The Board actively participates in the process of strategy development and is not a mere recipient of a strategy proposed by management. The directors appreciate that strategy, risk, performance and sustainability are inseparable.

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

The Board met four times during the year and has a formal schedule of matters reserved to it as recorded in the Board Charter. Attendance of these meetings is reflected on page 35.

The Board delegates certain functions to well-structured committees without abdicating its own responsibility. Board committee charters define the purposes, authority and responsibility of the various Board committees and have been developed for the:

- Board of Directors;
- Audit, Governance and Risk Committee;
- Remuneration and Nomination Committee; and
- Transformation Committee.

The Audit, Governance and Risk Committee

The Audit, Governance and Risk Committee comprises DL Rose (Chairman), S Klein and DC Seaton. The Committee has terms of reference and an Audit, Governance and Risk Committee Charter, which is available on request.

The Committee meets with the Chief Executive Officer, Chief Financial Officer and other senior executives/managers (when and if required), as well as the external auditors, to discuss issues of accounting, auditing, internal controls, financial reporting and corporate governance. The external auditors have unrestricted access to the Chairman of the Committee.

The Committee is responsible for:

- developing and maintaining effective systems of internal control
- safeguarding the Group's assets
- maintaining adequate financial reporting systems
- evaluating and defining the levels of risk appropriate and acceptable to the Group
- the reliability and accuracy of financial information provided to shareholders and other users of financial information
- the appointment of external and internal auditors
- assessing the relevance, impact and resolution of accounting or auditing issues identified by external auditors
- the Group's compliance with legal and regulatory provisions including stock exchange requirements
- the Group's Articles of Association
- the Code of Conduct
- the by-laws and rules established by the Board

While the Board as a whole is responsible for the Group's risk management, it has delegated authority to the Audit, Governance and Risk Committee which reports to the Board. The term of the Committee is one year and its composition and chairmanship are reviewed and approved annually by the Board.

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

The Audit, Governance and Risk Committee has met periodically to consider and to act upon its statutory duties and functions and confirms that it has satisfied itself of the independence of the Company's auditors, PKF (Jhb) Inc and the designated auditor, Ben Frey. Primeserv currently has an acting financial director, Mr Raphael Sack, and a financial director will be appointed by 30 June 2009 in accordance with the JSE Listings Requirements.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises S Klein (Chairman), JM Judin and DC Seaton.

Remuneration

Primeserv's remuneration philosophy focuses on developing the value of our people. To this end, it aims to empower every employee to make a positive contribution to the growth of the business.

The Board defines the principles which guide the development of Group strategy and objectives. Performance reviews at individual, divisional and Group level are considered in formulating such strategies and objectives and an appropriate balance sought between employee and shareholder interests.

The Board remains ultimately responsible for the remuneration policy. The Committee operates in terms of a mandate approved by the Board. The Board will in some instances refer matters to shareholders for approval; for example, new and amended share-based incentive schemes and non-executive directors' attendance and committee fees. The Board accepted the recommendations made by the Committee during the year.

The Committee ensures that the Group's remuneration structures adequately attract and retain talented individuals who can make a contribution to the Group's sustainability. It recommends compensation strategies, policies and remuneration packages which support the Group's strategic objectives and rewards employees for their contribution to the operating and financial performance of the organisation in relation to performance criteria.

Remuneration of executive and non-executive directors is determined through a process of benchmarking, utilising current market information relating to remuneration and reward practices. This is complemented by performance bonuses which may reach 70% of executives' basic packages.

The Group's longer term incentives for key executives include the use of share options and/or share purchase schemes.

Non-executive directors receive fees for their roles as directors and for their roles on Board committees.

Details of individual directors' remuneration are set out on pages 55 and 56.

Non-executive directors

Terms of service

While shareholders appoint non-executive directors at annual general meetings, interim Board appointments may be made between annual general meetings in terms of Group policy. Such interim appointees may not serve beyond the following annual general meeting, though they may make themselves available for re-election by shareholders. Non-executive directors serve a two-year term. The Board may then propose their re-election to shareholders for a further two-year period. Non-executive directors may seek re-election after each term of service.

Fees

Non-executive directors are remunerated for attendance on the Board and Board committees. Compensation for loss of office is not a contractual agreement.

There are no short or long-term incentive schemes for non-executive directors. Exceptions apply only where non-executive directors previously held executive office and qualify for unvested benefits resulting from their period of employment with the Company. There are no pension benefits for non-executive directors. Management reviews non-executive directors' remuneration and recommendations are made to the Board which in turn proposes fees for approval by shareholders at the annual general meeting. These are approved by shareholders at the annual general meeting. Non-executive directors' fees are listed on pages 55 and 56.

Corporate citizenship

Executive directors

The Company adopts the principle of Total Cost to Company in determining executive directors' remuneration packages. This includes basic remuneration, retirement, medical and other benefits. In addition, executive directors benefit from long-term incentives linked to performance and retention measures. Packages are constituted of the following:

- Basic salary – determined by market value and role played
- Short-term incentives – determined by fulfilment of performance targets
- Long-term incentives – determined by creation of sustainable shareholder value and behaviour consistent with this goal

The extent of managerial responsibility together with actual workplace location determine basic remuneration of executive directors. Details of directors' fees are listed on pages 55 and 56.

Terms of service

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

Short-term incentives

Performance bonus schemes are available for executive directors. Job level, business unit and individual performance determine individual awards. The aim of the bonus scheme is to reward performance in line with organisational objectives and achievements.

Long-term incentives

Retention of skills is a primary long-term objective of the Group. Share-based incentive schemes aligning the interests of the Group, its businesses and employees are intended to promote this goal, by attracting and retaining high calibre personnel. Share incentive awards are made by the Committee only where business and individual performance targets have been attained.

Details of the benefits held by executive directors under the existing share incentive schemes are reflected on page 57.

Nomination

The Committee is responsible for ensuring that nominees to the Board are not disqualified from being directors and, prior to their appointment, investigates their backgrounds according to the recommendations required for listed companies by the JSE. Executive directors have service contracts and restraint agreements, where applicable, which have been signed by the relevant executive directors.

The Committee annually reviews the Board's required mix of skills, experience and other qualities to assess the effectiveness of the Board, its committees and the contribution of each director. Executive directors are appointed on the basis of their skills, experience and level of contribution to and impact on the Group's activities.

Non-executive directors are selected on the basis of industry knowledge and their professional skills and experience to enhance organisational decision-making.

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

The names of directors submitted for election or re-election are accompanied by sufficient biographical information to enable shareholders to make an informed decision in respect of their election.

Non-executive directors are appointed for specified terms subject to re-election and to Companies Act provisions relating to the removal of directors. The re-appointment of non-executive directors is not automatic.

The Transformation Committee

The Group is committed to the spirit and principles of B-BBEE and to this end a Transformation Committee was established in December 2008, comprising LM Maisela (Chairman), DC Seaton and M Abel. The Committee will assist the Board in ensuring that there are appropriate strategies and policies in place to progress transformation.

The Committee will seek to address any and all issues pertaining to the transformation of the Group into an organisation that is not only relevant in the context of a democratic South Africa, but also to ensure that the composition of the Group is fully representative of the cultural landscape that is prevalent in the country. Its role will not be to redress the imbalances that exist in society *per se,* but to ensure that Primeserv is a leader in the implementation of HR and IR practices that recognise the equality of all individuals. Primeserv seeks to implement, through careful and considered processes, measures, including affirmative action, that do not detract from the organisation's long-term goal of delivering sustainable returns to all shareholders and stakeholders alike.

Risk Management

The Board determines risk strategy based on the need to identify, assess, manage and monitor all known forms of risk across the Group, in liaison with the executive directors and senior management. The Audit, Governance and Risk Committee has been appointed to assist the Board in reviewing both the risk management process and significant risks facing the Group.

Management is accountable to the Board for designing, implementing and monitoring the processes of risk management and for integrating them into the daily activities of the Group.

The Board determines the Group's tolerance or appetite for risk. The Audit, Governance and Risk Committee is responsible for ensuring that the Group has an effective, ongoing process to identify and assess risk and then implements what is necessary to manage these risks proactively.

Financial Risk Management

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

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

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

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

Operational Risk Management

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

Senior management takes an active role in the risk management process and is responsible for the implementation, ongoing maintenance of and ultimate compliance with the risk process as it applies to each business unit. The Board is kept abreast of developments through formalised reporting structures, ongoing communication with management, regular management meetings at an operating subsidiary level and through representation of executive members of the Board on certain of the forums responsible for the management of risk at an operating subsidiary level.

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

Corporate citizenship

Accountability and Audit

Going Concern

The directors have no reason to believe that the Company and the Group will not be a going concern in the year ahead. Accordingly, the financial statements are prepared on the going concern basis.

At the interim reporting stage, directors reconsider their assessment of the Group as a going concern and determine whether or not any of the significant factors in the assessment have changed to the extent that the appropriateness of the going concern assumption has been affected.

The Board of Primeserv regards the Group as a going concern as asserted in the following summary:

- the Group's combined operations are expected to remain profitable in the financial year to December 2009
- working capital remains well controlled and receivables are of sound quality
- the Group has sufficient borrowing capacity in terms of its existing facilities
- the Group has no need to dispose of any assets or undertake a capital restructuring
- key executive management is in place and performance management processes are being applied
- the Group is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business
- the Group is monitoring and responding proactively to the spirit and terms of changes in legislation and B-BBEE initiatives.

Auditing and Accounting

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

Taxation

Effective and efficient controls must be in place to ensure that tax, as a major business expense, is properly managed. As part of its governance accountability, the Group complies with all tax legislation. A Tax Charter which will cover all forms of tax, is currently being compiled and will incorporate management of tax risk, strategy and governance. The Board will approve the Tax Charter which will become mandatory for all Group companies.

Internal Control

The directors aim to ensure that internal control systems exist to provide reasonable assurance regarding the safeguarding of assets and the prevention of their unauthorised use or disposition, the maintenance of proper accounting records and the reliability of financial and operational information used in the business.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, not absolute, assurance against material misstatement or loss. There is an ongoing process for identifying, evaluating, managing, monitoring and reporting on significant risks faced by the Group.

The Group has internally defined lines of accountability and delegation of authority, and makes provision for comprehensive reporting and analysis against approved standards and budgets. Compliance is tested by way of management review, internal audit check and external audit. The Audit, Governance and Risk Committee considers the results of these reviews on a regular basis and confirms the appropriateness and satisfactory nature of these processes, while ensuring that breakdowns involving material loss, if any, together with remedial actions, are reported to the Board.

Insurance

The operating assets, including various assets owned by lessors, have been insured at replacement value. The Group performs credit evaluations on its clients and where available and cost-effective, utilises credit insurance.

Key-man policies insure key executives, where possible, and liability cover is taken out for fidelity, directors' liability, loss of profits, political risk as well as general and professional liability. The Group reviews its insurances annually or more frequently, as required, in line with its risk-averse approach to insurable matters.

Insider Trading

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 upon such information. The Board has determined certain embargo periods during which directors and other senior management officials of the Group may not deal directly or indirectly in Primeserv Group Limited shares. These include the period from 31 December to the publication of the year-end results and from 30 June to the publication of the interim results and any period during which a transaction, which it is anticipated is reasonably likely to be concluded, is being negotiated, if the information relating thereto constitutes inside information and may be considered price-sensitive.

Political Contributions

The Group does not contribute to any political parties and no such contributions have been made in the year under review.

Relations with Shareholders

It is the Group's policy to pursue dialogue with institutional investors. Primeserv strives to ensure that information is disseminated through a broad range of communication channels having regard for security and integrity while bearing in mind the need for critical financial information to reach all shareholders simultaneously.

The Board accepts its duty to present a balanced and understandable assessment of the Group's position in 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 all shareholders and relevant stakeholders with a legitimate interest in the Group's activities can obtain a full, fair and honest account of its performance.

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

Annual General Meeting

The agenda for the annual general meeting is set by the Company Secretary and communicated to all shareholders in the notice of the annual general meeting, which accompanies the annual report. Consequently, the notice of the annual general meeting is distributed well in advance of the meeting and affords all shareholders sufficient time to acquaint themselves with the effects of any proposed resolutions. Adequate time is also provided by the chairman in the annual general meeting for the discussion of any proposed resolutions. The conduct of a poll to decide on any proposed resolutions is controlled by the chairman at the meeting and takes account of the votes of all shareholders, whether present in person or by proxy. A proxy form is included in the annual report for this purpose.

The Group recognises the importance of its shareholders' attendance at its annual general meeting. Explanatory notes setting out the effect of all proposed resolutions accompany the notice of meeting.

Corporate citizenship

SUSTAINABILITY REPORT

Primeserv is committed to face the challenges in meeting the needs of its stakeholders and is well positioned to play a role in advancing sustainable development. Primeserv's sustainability strategy focuses on long-term economic, environmental and social imperatives as non-financial elements of sustainable business and financial performance are inextricable intertwined.

Processes are implemented to assess, measure and manage the effectiveness and relevance of the Group's sustainability strategy. The Group has embraced the philosophy that its ongoing growth and development depend not only on economic factors, but on the well-being and upliftment of its people, the improvement of surrounding communities and its ongoing investment in corporate, social and environmental sustainability initiatives.

Governance Structure and Management Systems

Structure

Primeserv interacts with all its stakeholders according to the principles of transparency, reliability, integrity and trust. The formal structures, systems and governance culture encompass economic, environmental and social responsibility. The corporate governance report is detailed on pages 19 to 25.

Commitments to external initiatives

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

Group companies are also members of a number of industry-specific and general associations, including:

- CAPES
- CEA
- MEIBC
- NBCRFI
- SEIFSA

Stakeholder Engagement

Primeserv supplies information to the public and its shareholders with due regard to relevance, openness, promptness and substance over form. Reporting is balanced by providing both the positive and negative aspects of the Group's performance. Regular presentations and meetings are held with investors and analysts to communicate the strategy and performance of the Group. Shareholders are also given the opportunity to put questions to the Board at annual general meetings.

A list of the major shareholders in the Group is shown on page 69.

Primeserv's employees are viewed as key stakeholders as the Group recognises that successful businesses are built on loyal, motivated and happy employees.

Economic indicators

The Group's financial position is outlined in the annual financial statements which are disclosed on pages 36 to 68.

Social indicators

Diversity and Opportunity

The Company promotes equal opportunities and fair treatment in employment through the elimination of unfair discrimination.

Non-discrimination

The Company does not discriminate, directly or indirectly, against any employee in any employment policy or practice, on grounds including race, gender, sex, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture language or birth.

At Primeserv employees may exercise their rights in terms of the Basic Conditions of Employment Act without the fear of discrimination. All new employees are required to attend a formal induction programme where they are made aware of the various Group policies and procedures, as well as their rights, duties and obligations.

Disciplinary Practices
All disciplinary practices are conducted in accordance with the Group's Disciplinary Code and Procedures in line with the Code of Good Practice.

A Grievance Procedure is also in place to address grievances from employees.

Security Practices
Security audits ensure compliance with applicable security practices throughout the Group to protect the lives and well-being of employees and the integrity of the Group's assets.

Social and Transformation Issues
The Group, encompassing its operating divisions, has submitted its Employment Equity and Skills Development Plans to the relevant authorities and continues to strive to exceed the required targets.

Employment Equity
The Board subscribes to the principles of employment equity and recognises the value of diversity. The Group is committed to providing equal opportunities for its employees, regardless of their ethnic origin or gender.

The Group actively develops its employees to empower them to fulfil more responsible positions within the Group, thus reinforcing its diversity and meeting demographic representational requirements.

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

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

Equity and Practices
Careful consideration has been given to analyse the Group's policies, procedures, practices and the working environment in order to identify equity barriers and any other negative influences that might have an effect on the positive outcome of the Employment Equity Plan. Allocation of resources include the appointment of a designated officer to manage the implementation, an allocated budget to support the implementation goals of employment through development, training and a further study bursary scheme and the implementation of an Employment Equity Committee.

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

Selection Criteria and Appointments
- The defined competencies as per the job description form the basis on which applicants are screened; an applicant is not discriminated against on any other grounds.
- All applicants who meet the requirements and are suitably qualified for the job are short listed.
- In situations where there are more than one applicant being considered for the position, and all are assessed to be suitably qualified, preference is given to the appointment of a historically disadvantaged employee.

Historically Disadvantaged Employees' Career Paths and Skills Development Plans
The Group's commitment to the development of all employees and providing equal opportunities in the workplace by making the best use of HR with due regard to the need for building on existing strengths and employee potential, subscribes to the following principles:
- To align Employment Equity targets with Skills Development programmes and objectives.
- To formulate personal development plans for employees from designated groups to ensure that training, development and study opportunities are being made available to further promote equity in the workforce.
- To offer a mentoring programme – this consists of a developmentally oriented relationship between a senior and junior colleague. Mentoring becomes part of the evaluation for promotion and assists in goal setting, planning and identifying of designated employees to be fast tracked.

Corporate citizenship

Broad-Based Black Economic Empowerment

Primeserv Group Limited is recognised as a Level 3 B-BBEE contributor for the year under review. This rating includes a "Value Added Supplier Procurement Recognition" at 137,5% in terms of the Broad-Based Black Economic Empowerment Act and is valid for twelve months. The Group scored between 75% and 85% on the generic scorecard indicator, making it a strong B-BBEE contributor and fully compliant in terms of the Act.

Enterprise Development

Primeserv's objective is to support and encourage the development of enterprises with sufficient black ownership and/or B-BBEE contributor status by means of infrastructure and operational support to ensure sustainability.

B-BBEE Procurement

The objective is to increase the amount of money spent on procurement from B-BBEE-compliant enterprises and those that score at least 30% on the relevant B-BBEE scorecard. Procurement from the above enterprises will ensure that the ripple effect of affirmative procurement is realised throughout the economy.

Corporate Social Investment

The driving policy behind Primeserv's corporate social responsibility strategy is the sustainable upliftment of the disadvantaged sectors of our community. Since the economic future of South Africa is substantially dependent on the country's youth, which Primeserv sees as particularly vulnerable, the majority of the Group's CSI efforts are directed at this sector.

Primeserv provides financial and professional support to the Siyakhula Trust, which is playing an important role in building leadership capacity within the Gauteng townships and among the rural youth.

Primeserv has concentrated on initiatives which provide opportunities to youth, particularly those in rural areas and those infected and affected by HIV/AIDS.

Aligned with its own core activities, Primeserv cooperates with NGOs to provide skills training through the training component of the HR Solutions division. This includes bursaries and subsidised computer and vocational training through the Colleges division. Relevant NGOs have been identified and numerous programmes have been developed and are currently being implemented in consultation with appropriate parties to provide maximum benefit for participants.

Human Rights

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

Consequently:

- a programme is in place to educate employees about their human rights
- forced labour is not practised
- child labour is not practised
- the working environment and working conditions are safe and healthy
- freedom of association is respected
- the guidelines of the International Labour Organisation are complied with

The Group will not hesitate to terminate agreements and relationships with contractors or suppliers who act in contravention of international human rights standards.

Bribery and Corruption

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

Competition and Pricing
The Group supports and encourages free external and internal competition in all business units, subsidiaries and associate companies.

Product Responsibility
Advertising
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.

Respect for privacy
Policies and procedures are in place to maintain client privacy.

Safety, Health, Environment and Quality
The Board recognises its responsibility for dealing with SHEQ issues and, where applicable, constantly reviews and implements systems of internal control and other policies and procedures to manage SHEQ risks.

Safety
The Group is committed to preventing workplace accidents and fatalities in terms of the occupational Health and Safety Act (No 85 of 1993) of South Africa.

Health
The Group pays attention to the HIV/AIDS pandemic in southern Africa without disregarding other diseases that could pose a significant risk.

Quality
The Group sets high quality standards through an internal review process. A vast proportion of the business contracts entered into are linked to agreed quality levels and service level agreements are entered into between the Group's operating units and clients.

Primeserv adheres to the training standards set down by the relevant accreditation authorities, where applicable, and training programmes are registered and accredited.

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

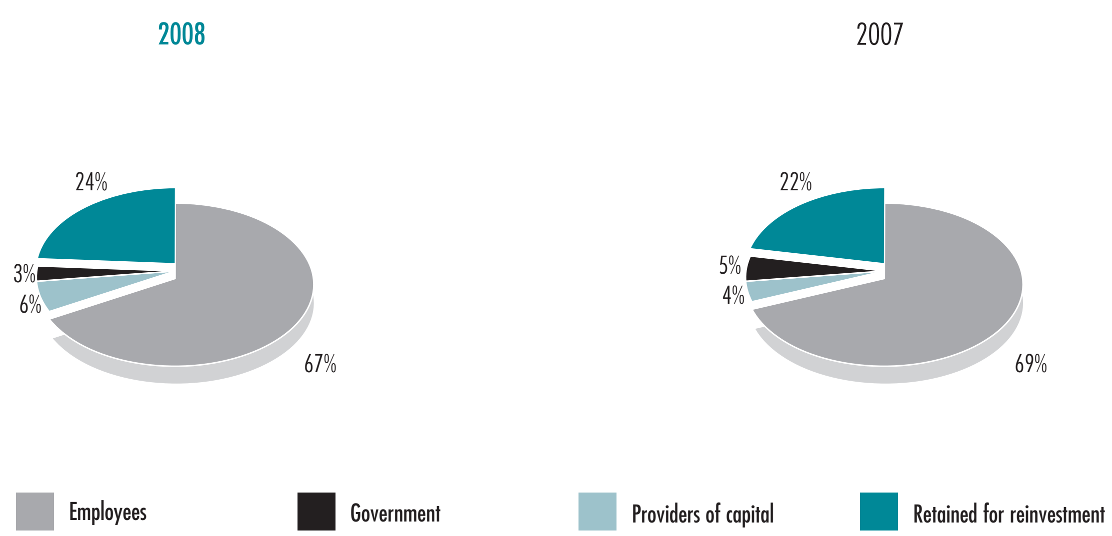
Value added statements

Wealth created is the value created by providing the Group's services. This statement shows how the wealth has been distributed.

For the year ended 31 December 2008

	2008 R'000	%	2007 R'000	%
WEALTH CREATED				
Income from goods and services	539 878		474 197	
Less: Costs of goods and services	(461 050)		(405 539)	
Value added from operations	78 828		68 658	
Add: Interest received on investments	3 691		2 190	
Total value added	82 519	100	70 848	100
Utilised as follows:				
Employees				
Salaries and benefits	55 093	67	48 837	69
Providers of capital				
Interest on borrowings	4 552	6	3 002	4
Government – Company taxation	3 154	3	3 350	5
Current	873	1	411	1
Deferred	1 951	2	2 774	4
Secondary tax on companies	330	–	165	–
Retained for reinvestment	19 720	24	15 659	22
Depreciation	1 866	2	1 829	3
Income retained in the business	17 854	22	13 830	19
Total utilisation of value added	82 519	100	70 848	100

Value distribution in percentages



Contents to the annual financial statements

Directors' approval and responsibility statement

The directors are responsible for the preparation, integrity and fair presentation of the Company and the Group financial statements and other financial information included in this report. In presenting the accompanying financial statements, International Financial Reporting Standards have been followed, applicable accounting assumptions have been used while prudent judgements and estimates have been made.

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

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

The financial statements support the viability of the Company and the Group.

The financial statements have been audited by the independent accounting firm, PKF (Jhb) Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and Committees of the Board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The financial statements were approved by the Board of Directors on 19 March 2009 and signed on its behalf by:

JM JUDIN	**M ABEL**
Non-Executive Chairman	**Chief Executive Officer**

Johannesburg
19 March 2009

Declaration by Company Secretary

For the year ended 31 December 2008 the Company has, to the best of my knowledge, lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act (61 of 1973), as amended, and that all such returns are true, correct and up to date.

ER GOODMAN SECRETARIAL SERVICES CC
(REPRESENTED BY E GOODMAN)
Company Secretary

Johannesburg
19 March 2009

Independent auditors' report

TO THE MEMBERS OF PRIMESERV GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements and Group financial statements of Primeserv Group Limited, which comprise the directors' report, the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended of the Company and the Group, and a summary of significant accounting policies and other explanatory notes as set out on pages 34 to 68.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and Group financial statements present fairly, in all material respects, the financial position of Primeserv Group Limited as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

PKF (Jhb)

Chartered Accountants (SA)
Registered Auditors
Registration number: 1994/001166/21

per: Ben Frey
Director

Johannesburg
19 March 2009

Directors' report

For the year ended 31 December 2008

NATURE OF BUSINESS

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

FINANCIAL RESULTS

The financial results of the Company and of the Group are set out on pages 36 to 68 of this report. A review of the Group's results and performance of the business units is contained in the Chief Executive Officer's review on pages 10 to 18.

SHARE CAPITAL

No changes in the authorised or issued share capital of the Company took place during the year under review.

REPURCHASE OF SECURITIES

A general authority to repurchase further ordinary shares in the Company was granted in terms of a special resolution passed by the Company's shareholders on Tuesday, 12 August 2008, and registered by the Registrar of Companies ("general authority"). During the financial year under review, the Company acquired nil (2007: nil) ordinary shares on the open market.

The directors will seek approval at the annual general meeting for authority to repurchase further shares.

On approval, at the annual general meeting, of the special resolution required to effect any repurchase of securities, the maximum number of shares that the Group may repurchase is limited to 20% of its issued share capital. The maximum premium payable on any repurchase will be limited to 10% above the weighted average middle-market price of such shares over the five days immediately preceding the date of repurchase. Such approval is valid until the next annual general meeting, or 15 months from the date of approval of the resolution.

In considering any repurchase scheme, the directors will take cognisance that after such repurchase, the Company and the Group will, in the ordinary course of business, after the notice of the annual general meeting, for the succeeding 12-month period, be able to pay its debts, the working capital requirements and the ordinary capital and reserves of the Company and the Group will be adequate and the consolidated assets of the Group will be in excess of its consolidated liabilities, fairly valued for cash.

BUSINESS COMBINATIONS

Acquisitions

With effect from 1 August 2008 the business of Denverdraft Tirisano was acquired as a going concern for cash.

Employee share incentive scheme

The total number of shares, which may be purchased and/or in terms of which options may be granted, is equivalent to 20% of the issued share capital of the Company. At 31 December 2008, 10 608 035 (2007: 6 528 193) shares were held by the Primeserv Group Limited Share Trust for distribution to employees in terms of the scheme. At the same date, 8 972 689 (2007: 5 758 639) options have been granted to employees in terms of the rules of the share incentive scheme, leaving a surplus of 1 635 346 (2007: 769 554) over-allocated shares.

The unallocated shares, together with the purchased shares, will be allocated in the 2009 financial year. The impact of IFRS 2 – Share-Based Payments, and section 8C of the Income Tax Act No 58 of 1962 has been evaluated in order to determine the optimum use of the shares held as an incentive mechanism. The directors use the scheme to retain key personnel and for the purpose of providing opportunities to employees to participate in the Group's growth and success.

DIVIDENDS

The Company declared dividend number 6 of 1,5 cents per ordinary share on 28 March 2008 for the year ended 31 December 2007 and declared interim dividend number 7 of 1,0 cent per share on 10 September 2008 for the year ended 31 December 2008. A final dividend number 8 of 2,0 cents per share for the year ended 31 December 2008 was proposed after the balance sheet date.

DIRECTORATE AND SECRETARY

M Abel, JM Judin, S Klein, AT McMillan, DL Rose and DC Seaton were directors of the Company throughout the financial year under review and at the date of this report.

LM Maisela was appointed as a director on 22 December 2008.

Company Secretary

R Sack was secretary until 1 July 2008. GB Mons was secretary from 1 July 2008 to 17 March 2009 and thereafter ER Goodman Secretarial Services CC (represented by E Goodman) was appointed secretary to the Company.

In terms of the Articles of Association of the Company, JM Judin, DL Rose and LM Maisela retire as directors at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

SUBSIDIARY COMPANIES

Details of the Company's interest in its subsidiaries and associate are set out on page 68. The contribution to the Group's after-tax profit was R10,3 million in profits and Rnil in losses (2007: R7,0 million in profits and R1,3 million in losses) for the year under review.

ALLOCATION OF PROFITS TO MINORITIES

In a previous financial year certain of the subsidiaries issued preference share capital to the holding Company at the fair value of the businesses housed in those companies. The companies continue to generate profits in the current financial year which led to the reversal of a previous impairment adjustment of R10,7 million (2007: R4,3 million).

For the year ended 31 December 2008

DIRECTORS' INTERESTS

As at 31 December 2008, the aggregate direct and indirect beneficial interests of directors in the fully paid issued share capital of the Company were:

	2008 Beneficial	2007 Beneficial
EXECUTIVE		
M Abel	18 014 741	18 014 741
AT McMillan	2 426 823	2 426 823
NON-EXECUTIVE		
JM Judin	900 000	900 000
S Klein	529 887	354 887
LM Maisela *	–	–
DL Rose	–	–
DC Seaton	750 000	750 000
	22 621 451	22 446 451

** LM Maisela was appointed as director on 22 December 2008.*

At the date of this report, M Abel has been granted 5 407 909 (2007: 3 852 909) share options. AT McMillan has been granted 2 550 000 (2007: 1 850 000) share options and DC Seaton has been granted 1 000 000 (2007: nil) share options.

There has been no material change in the directors' interest in the issued share capital between 31 December 2008 and the date of this report.

The number of meetings attended by each of the directors of the Company during the period 1 January 2008 to 31 December 2008 is as follows:

	Board		Audit, Governance and Risk Committee		Remuneration and Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
M Abel	4	4	3	3 *	3	3 *
JM Judin	4	4	n/a	n/a	3	3
S Klein	4	4	3	2	3	3
AT McMillan	4	4	3	2 *	n/a	n/a
DL Rose	4	4	3	3	n/a	n/a
DC Seaton	4	4	3	3	3	3

** Attended by invitation.*

PROPERTY, PLANT AND EQUIPMENT

The Group acquired equipment and vehicles at a cost of R2,1 million (2007: R3,4 million) during the financial year under review. No major changes in the nature of the equipment and vehicles occurred during this year.

SHARE-BASED PAYMENT RESERVE

A share-based payment reserve of R304 695 (2007: R54 708) is carried in respect of the fair value of share options that are likely to be exercised.

SUBSEQUENT EVENTS

There have been no events between the balance sheet date and the date of this report that necessitate adjustment to the balance sheet or income statement.

Income statements

For the year ended 31 December 2008		Group		Company	
	Notes	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Revenue *					
Sales to customers		539 878	474 197	–	–
Operating profit/(loss)	2	21 772	17 912	(1 987)	(3 131)
Interest paid	3	(4 552)	(3 002)	(61)	–
Dividend received		–	–	9 584	11 914
Interest received	1	3 691	2 190	3 678	3 321
Share of profits from associate	11	97	80	–	–
Profit before taxation		21 008	17 180	11 214	12 104
Taxation	4	(3 154)	(3 350)	(343)	(126)
Profit for the year		17 854	13 830	10 871	11 978
Attributable to:					
Equity shareholders of the Company		17 507	13 830		
Minority shareholders' interest		347	–		
Attributable profit		17 854	13 830		
Weighted average number of shares ('000)	5	114 134	114 569		
Diluted weighted average number of shares ('000)	5	116 950	117 162		
Earnings per share (cents)	5	15,34	12,07		
Diluted earnings per share (cents)	5	14,97	11,80		
Headline earnings per share (cents)	5	15,41	12,06		
Diluted headline earnings per share (cents)	5	15,04	11,79		

* *Excludes revenue of R61,5 million (2007: R49,9 million) from Bathusi Staffing Services (Pty) Limited which was deconsolidated as a result of a B-BBEE transaction and has since been accounted for as an associate.*

Balance sheets

As at 31 December 2008	Notes	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
ASSETS					
Non-current assets		25 322	21 826	60 061	40 214
Equipment and vehicles	6	4 416	4 639	578	243
Goodwill	7	9 605	7 127	–	–
Intangible assets	8	676	576	–	–
Investment in subsidiaries	9	–	–	53 197	36 215
Investment and loan in associate	11	2 673	3 183	1 738	1 793
Long-term receivables	10	3 602	–	–	–
Deferred tax asset	12	4 350	6 301	87	(34)
Advance to share trust	13	–	–	4 461	1 997
Current assets		113 076	103 756	78 757	75 546
Inventories	14	863	1 137	10	260
Trade receivables	15	91 980	76 755	–	–
Other receivables	15	3 609	2 485	112	302
Loans to subsidiaries	16	–	–	64 708	53 853
Taxation receivable		264	208	–	35
Cash and cash equivalents		16 360	23 171	13 927	21 096
Total assets		138 398	125 582	138 818	115 760
EQUITY AND LIABILITIES					
Capital and reserves		68 093	55 846	87 260	68 744
Ordinary share capital	17	1 321	1 321	1 321	1 321
Share premium		1 351	1 351	1 351	1 351
Distributable reserves		72 283	57 645	15 033	7 464
Non-distributable reserve	18	–	–	69 250	58 553
Treasury shares	19	(2 215)	(2 215)	–	–
Share trust shares	20	(5 360)	(2 372)	–	–
Share-based payment reserve		305	55	305	55
Total equity attributable to equity holders of the Company		67 685	55 785	87 260	68 744
Minority interest		408	61	–	–
Non-current liabilities		363	680	–	–
Interest-bearing financial liabilities	21	363	680	–	–
Current liabilities		69 942	69 056	51 558	47 016
Trade and other payables	22	33 954	36 904	8 261	4 658
Current portion of financial liabilities	21	176	572	–	–
Loans from subsidiaries	16	–	–	43 038	42 358
Short-term vendor obligation		500	818	–	–
Taxation payable		–	–	259	–
Bank borrowings	23	35 312	30 762	–	–
Total equity and liabilities		138 398	125 582	138 818	115 760
Number of shares in issue at year-end ('000) (net of treasury and share trust shares)	17	110 809	114 889		
Net asset value per share (cents) (capital and reserves divided by number of shares in issue at year-end)		61	49		

Statements of changes in equity

For the year ended 31 December 2008

	Share capital R'000	Share premium R'000	Retained earnings R'000	Treasury shares R'000	Share trust shares R'000	Share-based payment reserve R'000	Non-distribu-table reserve R'000	Total R'000	Minority interest R'000	Total equity R'000
GROUP										
Opening balances at 1 January 2007	1 321	1 351	45 050	(2 215)	(1 976)	–	–	43 531	61	43 592
Attributable earnings for the year	–	–	13 830	–	–	–	–	13 830	–	13 830
Dividends paid	–	–	(1 235)	–	–	–	–	(1 235)	–	(1 235)
Acquisitions by share trust	–	–	–	–	(396)	–	–	(396)	–	(396)
Share based payment charge	–	–	–	–	–	55	–	55	–	55
Balances at 31 December 2007	1 321	1 351	57 645	(2 215)	(2 372)	55	–	55 785	61	55 846
Attributable earnings for the year	–	–	17 507	–	–	–	–	17 507	347	17 854
Dividends paid	–	–	(2 869)	–	–	–	–	(2 869)	–	(2 869)
Acquisitions by share trust	–	–	–	–	(2 988)	–	–	(2 988)	–	(2 988)
Share based payment charge	–	–	–	–	–	250	–	250	–	250
Closing balances at 31 December 2008	1 321	1 351	72 283	(2 215)	(5 360)	305	–	67 685	408	68 093
COMPANY										
Opening balances at 1 January 2007	1 321	1 351	(3 194)	–	–	–	54 248	53 726	–	53 726
Attributable earnings for the year	–	–	11 978	–	–	–	–	11 978	–	11 978
Dividends paid	–	–	(1 320)	–	–	–	–	(1 320)	–	(1 320)
Share based payment charge	–	–	–	–	–	55	–	55	–	55
Impairment adjustment	–	–	–	–	–	–	4 305	4 305	–	4 305
Balances at 31 December 2007	1 321	1 351	7 464	–	–	55	58 553	68 744	–	68 744
Attributable earnings for the year	–	–	10 471	–	–	–	–	10 471	–	10 471
Dividends paid	–	–	(3 302)	–	–	–	–	(3 302)	–	(3 302)
Share based payment charge	–	–	–	–	–	250	–	250	–	250
Impairment adjustment	–	–	–	–	–	–	10 697	10 697	–	10 697
Closing balances at 31 December 2008	1 321	1 351	14 633	–	–	305	69 250	86 860	–	86 860

Cash flow statements

For the year ended 31 December 2008	Notes	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Cash flows from operating activities		30	(3 776)	5 855	1 348
Profit before taxation		21 008	17 180	11 214	12 104
Adjustments		3 036	2 600	(12 849)	(15 747)
– net interest paid/(received)		861	812	(3 617)	(3 321)
– dividends received		–	–	(3 302)	(1 320)
– non-cash flow items		309	(41)	(6 035)	(11 157)
– depreciation		1 866	1 829	105	51
Operating cash flow before working capital changes		24 044	19 780	(1 635)	(3 643)
Working capital changes		(19 025)	(21 174)	4 043	1 699
– decrease/(increase) in inventories		274	(396)	250	8
– (increase)/decrease in trade and other receivables		(16 349)	(28 734)	190	(219)
– (decrease)/increase in trade and other payables		(2 950)	7 956	3 603	1 910
Cash generated from/(utilised in) operations		5 019	(1 394)	2 408	(1 944)
Net interest (paid)/received		(861)	(430)	3 617	3 321
Dividends received		–	–	3 302	1 320
Dividends paid		(2 869)	(1 235)	(3 302)	(1 320)
Taxation paid	A	(1 259)	(717)	(170)	(29)
Cash flows from investing activities		(9 860)	(6 020)	(10 560)	4 210
Purchase of equipment and vehicles to maintain operations		(2 059)	(1 817)	(440)	(134)
Purchase of intangible assets		(100)	–	–	–
Proceeds on disposal of equipment and vehicles		260	20	–	–
Long-term receivables		(3 602)	–	–	–
Investment in associate		607	1 622	55	(113)
Repurchase of securities		(2 988)	(396)	–	–
Cash flows applied to new acquisition	B	(1 978)	(5 449)	–	–
Loans (to)/from subsidiaries		–	–	(10 175)	4 457
Cash flows from financing activities		(1 531)	307	(2 464)	(818)
Decrease in financial liabilities		–	(329)	–	–
Decrease in long-term payables		(317)	–	–	–
Long-term receivables		–	451	(2 464)	(818)
Decrease in current portion of financial liability		(396)	185	–	–
Short-term vendor obligation		(818)	–	–	–
Net (decrease)/increase in cash and cash equivalents		(11 361)	(9 489)	(7 169)	4 740
Cash and cash equivalents at beginning of year		(7 591)	1 898	21 096	16 356
Cash and cash equivalents at end of year	C	(18 952)	(7 591)	13 927	21 096

Notes to the cash flow statements

For the year ended 31 December 2008		Group		Company	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
A.	TAXATION PAID				
	Amount refundable at beginning of year	208	67	35	73
	Amount charged to the income statement	(1 203)	(576)	(464)	(67)
	Amount (refundable)/payable at end of year	(264)	(208)	259	(35)
		1 259	(717)	(170)	(29)
B.	CASH FLOWS RELATING TO ACQUISITIONS				
	Assets purchased	–	(1 537)	–	–
	Liabilities assumed (instalment sale agreements)	–	747	–	–
	Liabilities assumed (contractor provisions)	–	2 033	–	–
	Goodwill	(2 478)	(7 128)	–	–
		(2 478)	(5 885)	–	–
	Loan payable	500	436	–	–
		(1 978)	(5 449)	–	–
C.	CASH AT BANK AND BORROWINGS AT YEAR-END				
	Cash at bank	16 360	23 171	13 927	21 096
	Bank borrowings	(35 312)	(30 762)	–	–
		(18 952)	(7 591)	13 927	21 096
	Cash at bank and borrowings are comprised as follows:				
	South African Rand	(18 952)	(7 634)	13 927	21 073
	Foreign currencies *	–	43	–	23
		(18 952)	(7 591)	13 927	21 096

** Effects of exchange rates are immaterial and have not been adjusted for.*

Summary of accounting policies

For the year ended 31 December 2008

PRINCIPAL ACCOUNTING POLICIES

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

BASIS OF PREPARATION

These consolidated financial statements are prepared in accordance with and comply with IFRS and the South African Companies Act of 1973. The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis except for the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets through equity.

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

Standards, interpretations and amendments to published standards that are effective for the 31 December 2008 year-end

None of the standards, interpretations and amendments issued had a material effect on the Group.

PRINCIPLES OF CONSOLIDATION

Subsidiaries are entities, including unincorporated entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are consolidated from the date on which the Group acquires effective control up to the date that effective control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed to the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired (including intangible assets) and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of an acquisition over the fair value of identifiable net assets acquired is recorded as an intangible and accounted for in terms of accounting policy detailed below. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. Investments in subsidiaries are accounted for at cost in the Company accounts. The carrying amount of these investments are reviewed annually and written down for impairment where considered necessary.

The Group share incentive trust is included in the consolidated financial statements as a subsidiary.

MINORITY INTEREST

Minority interest in the net assets are determined as the minority shareholders' proportionate share of the fair value of the net assets of the subsidiary acquired at the date of the original business combination, together with the minority's share of changes in equity since the date of the combination. Losses in excess of the minority interest are allocated against the interest of the Group.

ASSOCIATES

Associates are those entities over which the Group has the ability to exercise significant influence, but not control, over the financial and operating policies.

Interests in associates are accounted for using the equity method and are carried in the balance sheet at an amount that reflects the Group's share of the net assets of the associate. Equity accounting involves recognising the investment initially at cost, including goodwill, and subsequently adjusting the carrying value for the Group's share of associate's profit or loss for the year and is recognised in the income statement. Intercompany profits and losses are not eliminated in determining the Group's share of equity accounted profits.

The presumption exists that an investor has significant influence if the investor holds, directly or indirectly, 20% or more of the voting or potential voting power of the investee.

In the Company's financial statements, investment in associates are stated at cost less any impairment losses.

GOODWILL

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

Goodwill arising on acquisitions prior to 31 March 2004 is included in the balance sheet at its deemed cost (cost less accumulated amortisation recognised up to 31 March 2003) which represents the amount recorded under previous South African Generally Accepted Accounting Practice.

Goodwill arising on acquisitions after 1 April 2004 and the carrying value of goodwill that existed at this date is not amortised but is carried at cost less impairment losses.

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

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

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

Summary of accounting policies

For the year ended 31 December 2008

INTANGIBLE ASSETS

Intangible assets are recorded at cost less accumulated amortisation and impairments.

Intangible assets with a finite life are depreciated on a straight-line basis to write off the cost of the asset to the current value of its expected residual value over its estimated useful life. The residual value is reassessed annually. Where the residual value equals or exceeds the carrying amount of an asset, no depreciation is recognised.

Intangible assets with an indefinite life are not depreciated, however they are tested for impairment on an annual basis.

FINANCIAL INSTRUMENTS

Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification is dependent on the purpose for which the asset is acquired. Management determines the classification of its investments at the time of purchase and re-evaluates such designation at every reporting date.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those which the Group has classified upon initial recognition as at fair value through profit or loss.

Loans and receivables carried at amortised cost are impaired if there is objective evidence that the Group will not receive cash flows according to the original contractual terms. Default or delinquency in payment and significant financial difficulties are considered indicators that the receivable is impaired. The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows discounted at the original effective rate. The resulting loss is accounted for as an impairment in the income statement.

Measurement

Loans and receivables are measured at amortised cost using the effective interest rate method, less impairment losses. In the case of short-term and trade receivables, the impact of discounting is not material and cost approximates amortised cost.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss, are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses, which are recognised in the income statement. When available-for-sale financial assets are sold or impaired, the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment

Financial assets, other than those designated as at fair value through profit and loss, are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the recoverable amount is estimated and the carrying value is reduced to the estimated recoverable amount by means of a charge to the income statement.

Available-for-sale financial assets

An available-for-sale financial asset is considered impaired if a significant or prolonged decline in the fair value of the security below its cost has occurred.

Where an available-for-sale asset which has been re-measured to fair value directly through equity is impaired and a loss on the financial asset was previously recognised directly in equity, the cumulative net loss that has been recognised in equity is transferred to the income statement as part of the impairment loss.

Where an available-for-sale asset is impaired and an increase in the fair value of the financial asset was previously recognised in equity, the increase in fair value of the financial asset recognised in equity is reversed to the income statement to the extent that the asset is impaired and recognised as part of the impairment loss. Any additional impairment loss is recognised in the income statement. If in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the reversal is recognised directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

FINANCIAL LIABILITIES

Loans and other payables

Loans are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. In the case of short-term payables, the impact of discounting is not material and cost approximates amortised cost.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

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 balance sheet date.

For the year ended 31 December 2008

Legal right of set-off

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

DEFERRED TAXATION

Deferred taxation is provided for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements, and the corresponding tax bases used in the computation of taxable income. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that a taxable profit will be available in future years 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.

Shares in the Company held by Group companies and the share incentive trust are classified as treasury shares. The consideration paid for treasury shares, including any directly attributable costs, is deducted on consolidation from total shareholders' equity. Fair value changes recognised in the subsidiary's financial statements in respect of treasury shares are reversed on consolidation and dividends received are offset against dividends paid. Profits/losses realised on the application of treasury share are credited/debited directly to equity. Where treasury shares are subsequently sold or issued, the consideration received (net of incremental costs and attributable taxes) is included in equity.

EMPLOYEE BENEFITS

IFRS 2 – Share-based payment reserve – The Primeserv Employee Share Trust

The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined with reference to the fair value of the options granted on grant date and is expenses on a straight-line basis over the vesting period. The fair value is determined by using the Black-Scholes Option valuation model.

Where shares are issued on exercise of the options, the proceeds received are credited to share capital, at par value and the surplus, net of any transaction costs, is credited to share premium. Where treasury share are applied on exercise of the options, the proceeds received, net of any transaction costs, are credited directly to equity.

TAXATION

Current taxation comprises taxation payable, calculated on the basis of expected taxable income for the year, using the tax rates enacted, or substantially enacted, at the balance sheet date, and any adjustment of taxation payable for previous years.

Secondary tax on companies is provided in the same period as and when the dividend is paid, net of dividends received or receivable, and is recognised as a taxation charge for the year.

INVENTORIES

Inventories, comprising consumables and training materials, are valued at the lower of cost and estimated net realisable value. Cost is determined on the first-in, first-out basis.

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.

BORROWINGS AND CASH AT BANK

For the purposes of the cash flow statement, cash at bank includes cash on hand, deposits and current accounts held with banks. Borrowings include bank overdrafts and other financial borrowings held with the Group's bankers and other financiers.

EQUIPMENT AND VEHICLES

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

Computer equipment	33,3%
Motor vehicles	20,0%
Furniture, fittings and equipment	10,0% to 33,3%

Residual values and useful lives are reassessed annually.

Gains and losses on disposal are recognised in the income statement.

REVENUE

Group revenue consists of sales to customers and is stated net of value added taxation. Course fees received in advance are recognised over the period of the course. Income received on long-term staff supply and training contracts is recognised as it is earned.

Interest is recognised on the accrual basis using the effective interest rate method.

Dividends are brought into account as at the last date of registration in respect of listed shares and when declared in respect of unlisted shares.

Summary of accounting policies

For the year ended 31 December 2008

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of the transactions. Balances outstanding at the end of the financial year are translated to Rands at the rates ruling at that date.

Gains or losses on translation are recognised in the income statement.

LEASES

Finance leases

The Group leases certain equipment and vehicles. Leases of equipment and vehicles, where the Group has substantially all the risk and rewards of ownership, are classified as finance leases.

Financial leases are capitalised at the lease's commencement at the lower of fair value and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in long-term payables. The interest element of the finance costs is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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 charged to the income statement on a straight-line basis over the period of the lease.

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

BORROWING COSTS

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

SEGMENT REPORTING

The Group is primarily an HR services business and is organised into two segments incorporating outsourcing, computer training colleges and HR solutions. These segments are the basis on which the Group reports its primary segment information for internal purposes.

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

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

SOURCES OF ESTIMATION UNCERTAINTY

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that management has assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

JUDGEMENTS MADE BY MANAGEMENT

Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual amounts could differ from these estimates.

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments as follows:

Goodwill

The Group finalised the acquisition of the businesses of Denverdraft Tirisano and Staff Dynamix during the year under review.

The Directors have considered the allocation of the purchase consideration to intangible assets and have concluded that the balance of the purchase consideration, not allocated to tangible assets acquired, should be allocated to goodwill.

The Directors are of the view that given the nature of the contractual and legal rights attributable to the clients lists, client contracts and trade names acquired, there are no separately identifiable intangible assets with a significant fair value requiring recognition.

Carrying value of goodwill and intangibles

Goodwill and intangibles have been tested for impairment based upon establishing an enterprise value using a discounted cash flow approach in terms of which a cash flow, for the enterprise in respect of which the goodwill value is carried, is developed based upon assumptions regarding future growth in profitability, cash applied to the business and the free cash generated by the enterprise is discounted at an appropriate risk adjusted rate.

The recoverable amount of goodwill was calculated by determining its value in use through the discounted cash flow method.

The following key assumptions were applied:

Growth rate	3%
Discount rate	22%

A conservative growth rate of 3% was assumed.
The discount rate was calculated by using a risk-free rate adjusted for risk factors.

Insurance receivable

Included in other receivables is an insurance receivable amount of R1 533 000.

Based upon representations by the loss adjuster appointed by the Group's insurers, the Directors are satisfied that this amount will be recovered from the Group's insurers in the short-term.

For the year ended 31 December 2008

Long-term receivable

Included as a long-term receivable is an amount of R3 602 000 recoverable from the vendor and shareholders of the Staff Dynamix business, arising out of advances in respect of expenses, debtors taken over, payments by customers and liabilities settled in regard to the business. The net receivable due is secured by the personal suretyship of the shareholder and is considered by management to be fully recoverable.

Asset lives and residual values

Equipment and vehicles are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and estimated disposal values.

Recoverability of deferred tax asset

The recoverability of deferred tax assets is assessed giving consideration to the expected profitability of the companies concerned for the next number of years.

Recoverability of trade receivables

The recoverability of trade receivables is assessed by giving careful consideration to the exposures that the Group carries. In this regard the Directors believe that the amount carried in the balance sheet is collectable having taken account of risks covered by credit insurance contracts, VAT recoverable from SARS, impairment provisions raised and the default history of customers.

IFRS 2 – Share-Based Payments

Management has applied the policy as listed under employee benefits.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective

IFRS 2 – Share-Based Payments (effective for periods commencing on or after 1 January 2009). Amendment relating to vesting conditions and cancellations.

IFRS 3 – Business Combinations (effective for periods commencing on or after 1 July 2009). Comprehensive revision on applying the acquisition method.

IFRS 5 – Non-current Assets Held for Sale and Discounted Operations (effective for periods commencing on or after 1 July 2009). Plan to sell the controlling interest in a subsidiary.

IFRS 7 – Financial Instruments: Disclosures (effective for periods commencing on or after 1 January 2009). Presentation of finance costs.

IFRS 8 – Operating Segments (effective for periods commencing on or after 1 January 2009). New standard on segment reporting.

IAS 1 – Presentation of Financial Statements (effective for periods commencing on or after 1 January 2009). Comprehensive revisions including requiring a statement of comprehensive income.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (effective for periods commencing on or after 1 January 2009). Status of implementation guidance.

IAS 10 – Events after the Reporting Period (effective for periods commencing on or after 1 January 2009). Dividends declared after the end of the reporting period.

IAS 16 – Property, Plant and Equipment (effective for periods commencing on or after 1 January 2009). Recoverable amount and sale of assets held for rental.

IAS 18 – Revenue (effective for periods commencing on or after 1 January 2009). Costs of originating a loan.

IAS 27 – Consolidation and Separate Financial Statements (effective for periods commencing on or after 1 January 2009). Consequential amendments from changes to business combinations and measurement of subsidiary held for sale in separate financial statements.

IAS 28 – Investments in Associates (effective for periods commencing on or after 1 January 2009). Consequential amendments from changes to business combinations; required disclosures when investments in associates are accounted for at fair value through profit or loss and Impairment of investment in associates.

IAS 31 – Interests in Joint Ventures (effective for periods commencing on or after 1 January 2009). Consequential amendments from changes to business combinations and required disclosures when interests in jointly controlled entities are accounted for at fair value.

IAS 32 – Financial Instruments: Presentation (effective for periods commencing on or after 1 January 2009). Certain financial instruments will be classified as equity whereas prior to these amendments they would have been classified as financial liabilities.

IAS 34 – Interim Financial Reporting (effective for periods commencing on or after 1 January 2009). Earnings per share disclosures in interim financial reports.

IAS 36 – Impairment of Assets (effective for periods commencing on or after 1 January 2009). Disclosure of estimates used to determine recoverable amounts.

IAS 38 – Intangible Assets (effective for periods commencing on or after 1 January 2009). Advertising and promotional activities and Unit of production method of amortisation.

The directors are in the process of quantifying the impact of these new Standards and Interpretations on the Group.

Notes to the annual financial statements

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
1. INTEREST RECEIVED				
Using the effective interest rate method				
Interest received – cash and cash equivalents	3 691	2 190	3 678	3 321
	3 691	2 190	3 678	3 321
2. OPERATING PROFIT/(LOSS)				
Operating profit/(loss) is stated after taking into account the following:				
Income				
Management fees	3 840	3 840	6 805	4 325
Dividends received/accrued	–	–	9 584	11 914
Profit on sale of equipment and vehicles	–	16	–	–
Expenses				
Auditors' remuneration	1 086	202	540	(300)
– audit fees current year	1 086	150	540	(300)
– audit fees prior year	–	52	–	–
Cost of sales	434 616	374 733	–	–
Depreciation	1 866	1 829	105	51
– computer equipment	914	891	63	36
– motor vehicles	659	370	–	–
– furniture, fittings and equipment	293	568	42	15
Loss on sale of equipment and vehicles	156	–	–	–
Operating lease rentals	10 760	10 505	8	1 230
– equipment and vehicles	3 036	3 074	–	–
– premises	7 724	7 431	8	1 230
Employee costs and benefits	54 285	48 065	8 430	5 192
Staff costs (includes executive directors' remuneration – refer to note 24)	43 521	39 434	5 953	3 815
Key management remuneration (excluding executive directors)	7 978	6 306	1 842	957
Share-based payment	250	55	250	55
Retirement costs	2 536	2 270	385	365
Directors' fees (non-executive directors)	808	772	808	772
3. INTEREST PAID				
Bank borrowings	4 184	2 492	61	–
Finance leases	116	128	–	–
IAS 39 – Financial Instrument charge	252	382	–	–
	4 552	3 002	61	–

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
4. TAXATION				
SA normal taxation	**1 203**	576	**464**	67
– current	**873**	411	**464**	67
– secondary tax on companies (STC)	**330**	165	**–**	–
Deferred tax	**1 951**	2 774	**(121)**	59
– current	**1 734**	2 774	**(120)**	59
– rate adjustment	**217**	–	**(1)**	–
	3 154	3 350	**343**	126
	%	%	**%**	%
Tax rate reconciliation				
Statutory tax rate	**28,0**	29,0	**28,0**	29,0
Tax rate change	**(1,0)**	–	**–**	–
Non-deductible items	**–**	12,0	**–**	0,5
Non-taxable items	**–**	–	**(24,7)**	(28,5)
Share of associate income	**(0,1)**	0,1	**–**	–
Trademark allowances	**(9,7)**	(22,6)	**–**	–
Utilisation of tax losses	**(3,7)**	–	**–**	–
Secondary tax on companies (STC)	**1,5**	1,0	**–**	–
Effective tax rate	**15,0**	19,5	**3,3**	1,0

5. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year, excluding shares purchased by the Company, incentive shares and held as treasury shares.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

	Group 2008	Group 2007	Company 2008	Company 2007
Number of shares in issue ('000)				
Number of shares in issue at the end of the year	**132 063**	132 063	**–**	–
Less: Adjustments to shares in issue				
Treasury shares at the end of the year	**(10 646)**	(10 646)	**–**	–
Share trust shares at the end of the year	**(10 608)**	(6 528)	**–**	–
Weighting for movement during year	**3 325**	(320)	**–**	–
Weighted average number of shares in issue ('000)	**114 134**	114 569	**–**	–
Add: Adjustment for options granted by share trust	**2 816**	2 593	**–**	–
Weighted average shares for dilutive earnings per share ('000)	**116 950**	117 162	**–**	–

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
5. EARNINGS PER SHARE (continued)				
Attributable earnings per share (cents)	15,34	12,07	–	–
Attributable earnings	17 507	13 830	–	–
Weighted average number of shares in issue ('000)	114 134	114 569	–	–
Fully diluted earnings per share (cents)	14,97	11,80	–	–
Headline earnings	17 507	13 830	–	–
Diluted weighted average number of shares in issue ('000)	116 950	117 162	–	–
Headline earnings				
Attributable earnings	17 507	13 830	–	–
Headline earnings adjusting items				
Loss/(profit) on disposal of equipment and vehicles (IAS 16)	83	(12)	–	–
	17 590	13 818	–	–
Headline earnings per share (cents)	15,41	12,06	–	–
Headline earnings	17 590	13 818	–	–
Weighted average number of shares in issue ('000)	114 134	114 569	–	–
Diluted headline earnings per share (cents)	15,04	11,79	–	–
Headline earnings	17 590	13 818	–	–
Diluted weighted average number of shares in issue ('000)	116 950	117 162	–	–
6. EQUIPMENT AND VEHICLES				
Cost				
Computer equipment	7 362	7 048	536	462
Motor vehicles	1 419	2 526	–	–
Furniture, fittings and equipment	9 312	7 845	1 050	684
	18 093	17 419	1 586	1 146
Accumulated depreciation				
Computer equipment	6 353	5 602	429	366
Motor vehicles	780	1 214	–	–
Furniture, fittings and equipment	6 544	5 964	579	537
	13 677	12 780	1 008	903
Net book value at end of year				
Computer equipment	1 009	1 446	107	96
Motor vehicles	639	1 312	–	–
Furniture, fittings and equipment	2 768	1 881	471	147
	4 416	4 639	578	243
Movement for the year				
Cost at beginning of year	17 419	14 104	1 146	1 012
Accumulated depreciation at beginning of year	(12 780)	(10 987)	(903)	(852)
Net book value at beginning of year	4 639	3 117	243	160
Additions				
Computer equipment	513	1 066	44	111
Motor vehicles	–	1 476	–	–
Furniture, fittings and equipment	1 546	812	396	23
	2 059	3 354	440	134

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
6. EQUIPMENT AND VEHICLES (continued)				
Depreciation				
Computer equipment	(914)	(891)	(63)	(36)
Motor vehicles	(659)	(370)	–	–
Furniture fittings and equipment	(293)	(568)	(42)	(15)
	(1 866)	(1 829)	(105)	(51)
Disposals				
Computer equipment	(36)	–	–	–
Motor vehicles	–	(3)	–	–
Furniture, fittings and equipment	(380)	–	–	–
	(416)	(3)	–	–
Net book value at end of year	4 416	4 639	578	243
Motor vehicles with a book value of R537 424 (2007: R1 111 126) are encumbered as per note 21.				
7. GOODWILL				
Year ended 31 December 2008				
Opening cost and net book value	7 127	–	–	–
Acquisition of businesses				
– Denverdraft*	2 200	–		
– Staff Dynamix**	–	7 127		
Adjustments***	278	–	–	–
Closing cost and net book value	9 605	7 127	–	–

** Relates to the acquisition of the Denverdraft Tirisano business purchased with effect from 1 August 2008.*
*** Relates to the acquisition of the Staff Dynamix business purchased with effect from 1 March 2007.*
**** Relates to the finalisation of the Staff Dynamix purchase price being allocated to goodwill.*

The discounted cash flows and returns from the projected numbers the businesses are reviewed for possible impairment. (Refer to judgements made by management).

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
8. INTANGIBLES ASSETS				
Cost	810	810	–	–
Accumulated amortisation and impairment	(234)	(234)	–	–
Opening net book value	576	576	–	–
Contract acquired	100	–	–	–
Closing net book value	676	576	–	–
At 31 December 2008			–	–
Cost	910	810	–	–
Accumulated amortisation and impairment	(234)	(234)	–	–
Closing net book value	676	576		–

The intangible assets are considered to have indefinite useful lives and are reviewed annually for impairment (refer to Judgements made by Management).

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
9. INVESTMENT IN SUBSIDIARIES				
Ordinary shares at cost	–	–	2	2
Class A preference shares				
Cost	–	–	79 800	79 800
Impairment	–	–	(34 340)	(34 340)
Net book value	–	–	45 460	45 460
Class B preference shares				
Cost	–	–	83 312	112 280
Sold during the year	–	–	–	(28 968)
Impairment	–	–	(83 312)	(83 312)
Net book value	–	–	–	–
Preference dividend accrued	–	–	21 972	15 689
Impairment of investments	–	–	(14 237)	(24 936)
Sub-total	–	–	7 735	(9 247)
Net investment in subsidiaries	–	–	53 197	36 215
Further information on the subsidiary companies is contained on page 68 of the financial statements.				
10. LONG-TERM RECEIVABLE				
Receivable to be collected in excess of one year and no interest has been charged	3 602	–	–	–
	3 602	–	–	–
11. INVESTMENT AND LOAN IN ASSOCIATE				
Balance at beginning of year	3 183	4 725	–	–
Loans to associate company	–	–	1 738	1 793
Movement in loans to associate company	(607)	(1 622)	–	–
Share of profits from associate	97	80	–	–
Balance at end of year	2 673	3 183	1 738	1 793
The income statement and balance sheet of the associate are summarised as follows:				
Income Statement				
Revenue	61 589	49 872	–	–
Net operating costs	(61 284)	(49 623)	–	–
Profit before taxation	305	249	–	–
Taxation	(85)	(75)	–	–
Profit after taxation	220	174	–	–

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
11. INVESTMENT AND LOAN IN ASSOCIATE (continued)				
Balance Sheet				
Property, plant and equipment	21	23	–	–
Goodwill	4 877	4 877	–	–
Deferred tax	384	384	–	–
Inventories	56	26	–	–
Trade and other receivables	11 342	4 175	–	–
Cash	311	295	–	–
Total assets	16 991	9 780	–	–
Trade, other payables and loans	(19 423)	(12 432)	–	–
Total shareholders' funds	(2 432)	(2 652)	–	–

The loan is unsecured, bears interest at the greater of 18% per annum and the prime rate plus 5% per annum, and has no fixed terms of repayment.

Primeserv Group Limited has signed an unlimited cross suretyship in respect of its associate company, Bathusi Staffing Services (Proprietary) Limited. The probability of this liability being called on is considered to be remote.

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
12. DEFERRED TAX ASSET				
Assessable losses*	2 881	3 802	(65)	(67)
Provisions	1 849	2 496	181	71
Prepayments	(125)	(75)	(29)	(38)
Deferred income	83	286	–	–
Work-in-progress	(345)	(215)	–	–
IAS 39 adjustments	7	7	–	–
	4 350	6 301	87	(34)
Reconciliation between deferred tax opening and closing balances				
Deferred tax at beginning of year	6 301	9 075	(34)	26
Tax rate change	(217)	–	1	–
Assessable losses	(790)	(3 645)	2	(106)
Provisions	(561)	698	109	62
Prepayments	(47)	(45)	9	(16)
Deferred income	(213)	196	–	–
Work-in-progress	(123)	22	–	–
Deferred tax at end of year	4 350	6 301	87	(34)

** Tax losses amounting to R56 913 521 (2007: R59 702 521) have not been recognised. Tax losses amounting to R10 289 286 (2007: R13 111 865) have been recognised on the basis of future sustainable profits that have been estimated for in the next three financial years.*

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
13. ADVANCE TO THE SHARE TRUST				
The Company has advanced R4 461 442 (2007: R1 997 416) to the Primeserv Group Limited Share Incentive Trust for the acquisition of 10 608 035 (2007: 6 528 193) shares.	–	–	4 461	1 997
Primeserv Group Limited ordinary shares at fair value at the balance sheet date	–	–	4 243	4 896
14. INVENTORIES				
Inventories comprise of consumable goods including personal protective equipment, books, manuals and other course material	863	1 137	10	260
15. TRADE AND OTHER RECEIVABLES				
Trade receivables	91 980	76 755	–	–
	3 609	2 485	112	302
Other receivables	3 093	2 156	8	172
Prepayments	516	329	104	130
	95 589	79 240	112	302
Trade receivables are encumbered as per note 23.				
In line with management's judgements taken, trade receivables that are less than three months overdue have not been impaired. As at 31 December 2008, the trade receivables of R13,1 million (2007: R6,7 million) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default. The age analysis of the trade receivables is as follows:				
Up to 3 months	73 591	69 312	–	–
4 months and older	18 389	7 443	–	–
	91 980	76 755	–	–
Allowance for impairment (bad debt provision)				
Balance at beginning of year	5 083	2 645	–	–
Impairments recognised in income statement	3 373	4 028	–	–
Reversal of impairments recognised in income statement	(3 357)	(1 590)	–	–
Balance at end of year	5 099	5 083	–	–
Credit risk exposure				
Maximum exposure to credit losses of trade receivables	91 980	76 755	–	–
Credit risk exposure mitigated through:				
VAT reclaimable from South African Revenue Service	(10 225)	(8 927)	–	–
Credit insurance contracts	(43 162)	(49 883)	–	–
Impairment provision	(5 099)	(5 083)	–	–
Residual exposure	33 494	12 862	–	–
Financial asset risk exposure – other receivables				
Prepayments	516	329	–	–
Deposits	623	598	–	–
Staff loans	758	71	–	–
Other receivables	1 712	1 487	–	–
	3 609	2 485	–	–
Refer to note 27 regarding exposure to interest rate risk.				

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
16. LOANS TO AND FROM SUBSIDIARIES				
Loans to subsidiaries	–	–	64 708	53 853
Loans from subsidiaries	–	–	(43 038)	(42 358)
Balance at end of year	–	–	21 670	11 495
Net movement for the year	–	–	10 175	(4 456)
The loans are unsecured and have no fixed terms of repayment. The loans are interest free. The loan to Primeserv Staff Dynamix (Proprietary) Limited bore interest at the prime rate until the end of June 2008. The balances will be settled in cash. No guarantees have been given or received. No provision for doubtful debts has been raised against amounts outstanding and no expense has been recognised during the year in respect of bad or doubtful debts due from related parties.				
17. ORDINARY SHARE CAPITAL				
Authorised				
500 000 000 ordinary shares of 1 cent each	5 000	5 000	5 000	5 000
Issued				
132 062 743 (2007: 132 062 743) ordinary shares of 1 cent each	1 321	1 321	1 321	1 321
There are nil (2007: nil) shares to be issued in respect of shares outstanding in terms of the Primeserv Group Limited Share Incentive Trust.				
Unissued shares				
The unissued shares totalling 367 937 257 (2007: 367 937 257) shares of 1 cent each are under the control of the directors subject to the provisions of Sections 221 and 222 of the Companies Act and the Listings Requirements of the JSE Limited.				
The authority is valid until the next annual general meeting.				
Reconciliation of shares in issue:				
Shares in issue	110 809 219	114 889 061	–	–
Treasury shares	10 645 489	10 645 489	–	–
Share Trust shares	10 608 035	6 528 193	–	–
Issued share capital	132 062 743	132 062 743	–	–
18. NON-DISTRIBUTABLE RESERVE				
The non-distributable reserve arises from the unimpairment of assets previously impaired against the write-off of the share premium account of the Company	–	–	69 250	58 553
19. TREASURY SHARES				
Comprises 10 645 489 (2007: 10 645 489) Primeserv Group Limited ordinary shares purchased in terms of shareholder approval obtained	2 215	2 215	–	–

Notes to the annual financial statements

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
20. SHARE TRUST SHARES				
Comprises 10 608 035 (2007: 6 528 193) Primeserv Group Limited ordinary shares. The Primeserv Group Limited Share Trust has been consolidated into the Group in terms of a directive issued by the JSE Limited in February 2004	5 360	2 372	–	–
21. INTEREST-BEARING FINANCIAL LIABILITIES				
Finance agreements				
Total owing	539	1 252	–	–
Current portion included in current liabilities	(176)	(572)	–	–
	363	680	–	–
The loans are repayable in monthly instalments, inclusive of interest, at rates varying from 13,5% to 14,98% (2007: 12,5% to 14,98%) and are secured over relevant equipment and vehicles, with a book value of R537 424 (2007: R1 111 126).				
Interest-bearing borrowings				
Short-term portion	176	572	–	–
Long-term portion	363	680	–	–
Total	539	1 252	–	–
Finance lease commitments				
Payable within one year – vehicles and equipment	237	700	–	–
Payable two to five years – vehicles and equipment	417	805	–	–
	654	1 505	–	–
Prepaid finance charges	(115)	(253)	–	–
Capital amount owing	539	1 252	–	–
Borrowing powers				
In terms of the Company's Articles of Association, the borrowing powers of the Company are unlimited.				
22. TRADE AND OTHER PAYABLES				
Trade payables	2 530	3 844	540	256
Payroll payables	14 706	16 942	3 122	706
Other accruals and sundry creditors	16 718	16 118	4 599	3 696
	33 954	36 904	8 261	4 658

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
23. BANK BORROWINGS				
Invoice finance	35 152	30 580	–	–
The finance is secured over the book debts of Primeserv ABC Recruitment (Proprietary) Limited, Primeserv Employee Solutions (Proprietary) Limited, Primeserv Staff Dynamix (Proprietary) Limited and Bathusi Staffing Services (Proprietary) Limited and bears interest at 0,5% below the prime bank overdraft rate per annum. It is repayable on collection of the book debts, subject to a 25% retention margin of total debt financed in this manner.				
Bank overdraft	160	182	–	–
The bank overdraft is secured over the book debt of Primeserv Training (Proprietary) Limited, Primeserv Recruitment (Proprietary) Limited and Primeserv Corporate Solutions (Proprietary) Limited and bears interest at the prime bank overdraft rate per annum.				
	35 312	30 762	–	–

24. DIRECTORS' REMUNERATION

	Directors' fees R'000	Remune-ration R'000	Benefits R'000	Allowances R'000	Bonuses * R'000	Share options exercised R'000	Total R'000
2008 – COMPANY							
The remuneration paid to directors of the Company, whilst in office during the year ended 31 December 2008, can be analysed as follows:							
Executive Directors	–	3 575	433	324	1 320	–	5 652
M Abel	–	2 431	289	120	845	–	3 685
AT McMillan	–	1 144	144	204	475	–	1 967
Non-executive Directors	655	–	–	153	–	–	808
JM Judin	177	–	–	–	–	–	177
S Klein	177	–	–	153	–	–	330
LM Maisela **	20	–	–	–	–	–	20
DL Rose	154	–	–	–	–	–	154
DC Seaton ***	127	–	–	–	–	–	127
	655	3 575	433	477	1 320	–	6 460

** Bonuses paid relate to the 2007 financial year.*
*** LM Maisela was appointed on 22 December 2008.*
**** Consulting services provided by DC Seaton are fully recorded under note 29.*

There are no directors where the remaining period of the service contract exceeds three years and the notice period exceeds three months.

Notes to the annual financial statements

For the year ended 31 December 2008	Group	Company

24. DIRECTORS' REMUNERATION (continued)

	Directors' fees R'000	Remune-ration R'000	Benefits R'000	Allowances R'000	Bonuses * R'000	Share options exercised R'000	Total R'000
2007 – COMPANY The remuneration paid to directors of the Company, whilst in office during the year ended 31 December 2007, can be analysed as follows:							
Executive Directors	–	3 323	401	324	200	639	4 887
M Abel	–	2 199	275	120	130	536	3 260
AT McMillan	–	1 124	126	204	70	103	1 627
Non-executive Directors	659	–	–	113	–	–	772
JM Judin	161	–	–	–	–	–	161
S Klein	161	–	–	113	–	–	274
C Nkosi **	106	–	–	–	–	–	106
DL Rose	116	–	–	–	–	–	116
DC Seaton ***	115	–	–	–	–	–	115
	659	3 323	401	437	200	639	5 659

** Bonuses paid relate to the 2006 financial year.*

*** C Nkosi resigned on 14 August 2007 and her remuneration is therefore only for seven months.*

**** Consulting services provided by DC Seaton are fully recorded under note 29.*

There are no directors where the remaining period of the service contract exceeds three years and the notice period exceeds three months.

For the year ended 31 December 2008

	No of options as at 31 Dec 2007	No of options exercised during the year	No of options issued/(lapsed) during the year	No of options as at 31 Dec 2008	Option price cents	Date from which exercisable	Expiry date
25. SHARE-BASED PAYMENTS							
2008 – COMPANY							
The interest of the executive directors and employees provided in the form of options are shown in the table below:							
M Abel	1 617 909	–	–	1 617 909	16	08/11/2000	31/05/2010
M Abel	235 000	–	–	235 000	20	05/09/2003	04/09/2013
M Abel	2 000 000	–	–	2 000 000	65	10/12/2007	31/12/2009
M Abel	–	–	1 555 000	1 555 000	56	07/11/2008	30/06/2011
AT McMillan	1 850 000	–	–	1 850 000	65	10/12/2007	31/12/2009
AT McMillan	–	–	700 000	700 000	56	07/11/2008	30/06/2011
DC Seaton	–	–	1 000 000	1 000 000	56	07/11/2008	30/06/2011
Employees	24 800	–	(24 800)	–	6	29/04/1998	28/04/2008
Employees	11 400	–	(11 400)	–	6	17/09/1998	16/09/2008
Employees	9 000	–	(3 000)	6 000	6	18/10/1999	17/10/2009
Employees	3 000	–	–	3 000	6	05/01/1999	04/01/2009
Employees	2 250	–	(1 750)	500	6	05/05/1999	04/05/2009
Employees	5 280	–	–	5 280	16	01/06/2000	31/05/2010
	5 758 639	–	3 214 050	8 972 689			
Weighted average strike price at 31 December 2008						51,63	

	No of options as at 31 Dec 2006	No of options exercised during the year	No of options issued/(lapsed) during the year	No of options as at 31 Dec 2007	Option price cents	Date from which exercisable	Expiry date
2007 – COMPANY							
The interest of the executive directors and employees provided in the form of options are shown in the table below:							
M Abel	450 000	(450 000)	–	–	6	29/04/1998	28/04/2008
M Abel	2 050 000	(432 091)	–	1 617 909	16	08/11/2000	31/05/2010
M Abel	235 000	–	–	235 000	20	05/09/2003	04/09/2013
M Abel	–	–	2 000 000	2 000 000	65	10/12/2007	31/12/2009
AT McMillan	200 000	(200 000)	–	–	20	05/09/2003	04/09/2013
AT McMillan	–	–	1 850 000	1 850 000	65	10/12/2007	31/12/2009
Employees	86 067	(61 267)	–	24 800	6	29/04/1998	28/04/2008
Employees	12 200	(800)	–	11 400	6	17/09/1998	16/09/2008
Employees	65 000	(56 000)	–	9 000	6	18/10/1999	17/10/2009
Employees	3 000	–	–	3 000	6	05/01/1999	04/01/2009
Employees	2 250	–	–	2 250	6	05/05/1999	04/05/2009
Employees	14 080	(8 800)	–	5 280	16	01/06/2000	31/05/2010
	3 117 597	(1 208 958)	3 850 000	5 758 639			
Weighted average strike price at 31 December 2007						45,55	

Share options are granted to selected directors and selected employees. The exercise price of the granted options is the cost of the unissued shares in the trust at the date the options are granted or 90% of the ruling market price as at the grant date. The options vest and are exercisable over periods of time up to 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The weighted average fair value of options granted during the year is calculated using the Black-Scholes valuation model and is expensed in the year in which the options are granted. The significant inputs into the model include the weighted average share price at the grant date, the exercise price, a risk-free interest rate assumption and the volatility of the share measured as the standard deviation of the share price based on an analysis of the daily share price over the same period as the vesting period measured retrospectively. During the year an amount of R249 987 (2007: R54 708) was charged against income in respect of options granted.

Notes to the annual financial statements

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
26. CONTINGENT LIABILITIES				
Guarantees issued by bankers to various companies and government bodies	**–**	–	**–**	–

The Company and certain of its fellow subsidiaries have signed surety to FirstRand Bank Limited in favour of its fellow subsidiaries for debtors financing and normal banking facilities granted. The net amount outstanding in the subsidiaries in respect of these facilities at year-end is R33 118 934 (2007: R30 579 940). The increase is primarily attributable to the business acquired during the year.

There has been an assessment issued by the SARS to one of the Group's subsidiaries for PAYE, interest and penalties amounting to R6,1 million. The Group's tax advisors disagree with the assessment and the necessary objections have been lodged with SARS. The Group has, however, made a payment to SARS without admission of liability and SARS have agreed that the amount will be repaid should the appeal be successful or the matter be resolved at a lesser amount. A provision was raised in a prior year regarding this disputed claim.

27. FINANCIAL INSTRUMENTS

The nature of key risks to which the Group is exposed are categorised as follows:

Interest rate risk

As part of the process of managing the Company's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Liquidity risk

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

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

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

Credit risk

The Company maintains cash, cash equivalents and short-term investments with various financial institutions. The Company's policy is designed to limit exposure with any one financial institution and ensures that the Company's cash equivalents and short-term investments are placed with high credit quality financial institutions. Credit risk with respect to trade receivables is dispersed due to the large number of customers and the diversity of industries serviced. The Company performs credit evaluations of its customers and, where available and cost effective, utilises credit insurance.

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the Group's debt to equity ratio. The Group's overall strategy remains unchanged from previous years.

The capital structure of the Group consists of debt, which includes the borrowing disclosed in notes 21 and 23, cash and cash equivalents and equity attributable to equity shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in notes 17 to 20.

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000

28. RETIREMENT BENEFITS

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

Retirement costs for the year amounted to R2 535 525 (2007: R2 269 805) with 49% of employees (which include temporary and those on limited duration contracts) belonging to the pension fund.

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

29. RELATED PARTY TRANSACTIONS

Arm's length trading transactions occur between subsidiaries and divisions within the Group companies and are eliminated on consolidation of the financial statements. Transactions between the holding company, its subsidiaries and associated companies relate to fees and interest and these are reflected as income in the Company's income statement.

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Transactions with subsidiary companies				
– Management fees from subsidiaries	–	–	6 805	4 325
– Dividends from subsidiaries	–	–	9 584	11 914
Transactions with associate company				
– Interest received	1 112 245	1 090 319	–	–
– Management fees received	3 840 000	3 840 000	–	–

M Abel, the Group CEO and hence a related party to the Group, provides financing facilities. The transactions are at arm's length and are concluded under terms and conditions that are no less favourable than those available from third parties.

As part of the ongoing maintenance and retention of key personnel programme, fixed term employment contracts, not longer than 3 years, have been entered into with the executive directors M Abel and AT McMillan. The contract entered into with M Abel includes terms and conditions relating to an interest free loan facility through the Primeserv Group Limited Share Trust with a maximum of R700 000. Such amount will fund the purchase by him of shares in the company at a price not exceeding 10% above the ruling market price.

AT McMillan is party to share-based incentives made available through the Share Trust.

During the year, the Company paid R470 073 (2007: R220 000) to Thoth Consulting CC, being a related party to DC Seaton, for consulting services rendered.

30. CAPITAL COMMITMENTS

The Group does not have any material capital commitments planned or actual for the forthcoming year.

31. CHANGE IN COMPARATIVE FIGURES

The balance sheet comparative figures for investment in subsidiaries, loans to subsidiaries and loans from subsidiaries in the Company accounts have been expanded from the net figures utilised in the past year.

The cash flow comparative figures for long-term receivables and new acquisitions have been reclassified from financing activities to investing activities.

Notes to the annual financial statements

For the year ended 31 December 2008	Group		Company	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
32. OPERATING AND FINANCE LEASE COMMITMENTS				
Operating lease commitments				
Future operating lease charges for property, plant and equipment				
Payable within one year				
– premises	2 367	5 619	522	831
– vehicles and equipment	1 813	2 435	–	–
	4 180	8 054	522	831
Payable two to five years				
– premises	859	3 524	574	659
– vehicles and equipment	830	3 084	–	–
	1 689	6 608	574	659

There are no lease commitments beyond the five-year period.
Leases on some premises are subject to escalation with renewal options at the Group's discretion.

	Human Capital Outsourcing R'000	Human Capital Development R'000	Central Services R'000	Group Consolidated R'000
33. SEGMENTAL ANALYSIS				
2008				
Revenue	501 715	38 163	–	539 878
Operating profit/(loss)	27 758	2 710	(8 696)	21 772
Profit before taxation	19 201	409	1 398	21 008
Capital additions	1 176	360	523	2 059
Depreciation	1 226	541	99	1 866
Assets	114 491	17 573	6 334	138 398
Liabilities	53 234	62 556	(45 485)	70 305
2007				
Revenue	433 956	40 241	–	474 197
Operating profit/(loss)	23 787	5 070	(10 945)	17 912
Profit/(loss) before taxation	20 045	5 060	(7 925)	17 180
Capital additions	2 565	580	209	3 354
Depreciation	1 116	638	75	1 829
Assets	110 068	18 541	(3 027)	125 582
Liabilities	61 031	60 300	(51 595)	69 736

All segments traded in South Africa during the current year.

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

The Human Capital Outsourcing segment provides flexible staffing solutions.

The Human Capital Development segment provides computer literacy training, vocational skills training, a comprehensive range of corporate and technical training services and HR solutions.

For the year ended 31 December 2008

34. BUSINESS COMBINATIONS

Staff Dynamix

The total cost of the acquisition was determined as an amount of R8,8 million.

Based upon the determined purchase price, goodwill in respect of the acquisition amounted to R7,4 million. The R0,3 million purchase price adjustment in the current year related to settlement of profit warranties and had no effect on the assets and liabilities acquired and was therefore allocated to goodwill.

The purchase consideration has been fully discharged.

Denverdraft

Primeserv Denverdraft (Proprietary) Limited, a 100%-owned subsidiary of Primeserv Group Limited, acquired the business of Denverdraft Tirisano with effect from 1 August 2008.

The five-month results from date of acquisition have been consolidated into the Group results for the year ended 31 December 2008.

The total cost of the acquisition is an amount of R2,2 million.

Goodwill representing the difference between the cost of acquisition of the business acquired and the fair value of the identifiable assets acquired amounts to R2,2 million. The identifiable intangible assets acquired were considered immaterial.

The directors are of the view that the business combinations will give rise to synergies and operational efficiencies between the business acquired and the Group's existing similar businesses.

The purchase consideration has been discharged as follows :

R1,7 million was paid in December 2008.

An amount of R0,5 million is payable on discharge of the last of the suspensive conditions required to be fulfilled.

(Refer to Accounting Policies – Judgements made by Management: Goodwill and Carrying Value of Goodwill.)

	Denverdraft		Group	
	Figures for 5 months R'000	Annualised values R'000	As consolidated R'000	Adjusted for annualised figures R'000
Effects of the acquisitions on the results of 2008				
2008 – Denverdraft division effective from 1 August 2008				
Revenue	44 205	106 092	547 409	609 296
Profit after tax	304	729	17 854	18 279

The acquisition was placed in a dormant company. There was no current trading in that company up to the date of the acquisition.

	Staff Dynamix		Group	
	Figures for 10 months R'000	Annualised values R'000	As consolidated R'000	Adjusted for annualised figures R'000
Effects of the acquisitions on the results of 2007				
2007 – Staff Dynamix division effective from 1 March 2007				
Revenue	95 006	114 007	480 243	499 244
Profit after tax	607	728	13 830	13 951

For the year ended 31 December 2008

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
35. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION				
GROUP – 2008				
Non-current assets	3 602	–	21 720	25 322
Equipment and vehicles	–	–	4 416	4 416
Goodwill	–	–	9 605	9 605
Intangible assets	–	–	676	676
Long-term receivables	3 602	–	–	3 602
Investment in associate company	–	–	2 673	2 673
Deferred taxation	–	–	4 350	4 350
Current assets	111 949	–	1 127	113 076
Inventories	–	–	863	863
Trade and other receivables	95 589	–	–	95 589
Taxation receivable	–	–	264	264
Cash and cash equivalents	16 360	–	–	16 360
Total assets	115 551	–	22 847	138 398
Non-current liabilities				
Interest-bearing borrowings	–	363	–	363
Current liabilities	–	69 942	–	69 942
Bank overdraft	–	35 312	–	35 312
Short-term vendor obligation	–	500	–	500
Current portion of interest-bearing borrowings	–	176	–	176
Trade and other payables	–	33 954	–	33 954
Total liabilities	–	70 305	–	70 305

For the year ended 31 December 2008

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
35. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION (CONTINUED)				
GROUP – 2007				
Non-current assets	–	–	21 826	21 826
Equipment and vehicles	–	–	4 639	4 639
Goodwill	–	–	7 127	7 127
Intangible assets	–	–	576	576
Investment in associate company	–	–	3 183	3 183
Deferred taxation	–	–	6 301	6 301
Current assets	102 411	–	1 345	103 756
Inventories	–	–	1 137	1 137
Trade and other receivables	79 240	–	–	79 240
Taxation	–	–	208	208
Cash and cash equivalents	23 171	–	–	23 171
Total assets	102 411	–	23 171	125 582
Non-current liabilities				
Interest-bearing borrowings	–	680	–	680
Current liabilities	–	69 056	–	69 056
Bank overdraft	–	30 762	–	30 762
Short-term vendor obligation	–	818	–	818
Current portion of interest-bearing borrowings	–	572	–	572
Trade and other payables	–	36 904	–	36 904
Total liabilities	–	69 736	–	69 736

For the year ended 31 December 2008

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
35. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION (CONTINUED)				
COMPANY – 2008				
Non-current assets	4 461	–	55 600	60 061
Equipment and vehicles	–	–	578	578
Investments in subsidiaries	–	–	53 197	53 197
Investment in associate company	–	–	1 738	1 738
Loans and receivables	4 461	–	–	4 461
Deferred taxation	–	–	87	87
Current assets	78 747	–	10	78 757
Loans receivable	64 708	–	–	64 708
Inventories	–	–	10	10
Trade and other receivables	112	–	–	112
Cash and cash equivalents	13 927	–	–	13 927
Total assets	83 208	–	55 610	138 818
Current liabilities				
Loans and payables	–	43 038	–	43 038
Taxation payable	–	259	–	259
Trade and other payables	–	8 661	–	8 661
Total liabilities	–	51 958	–	51 958
COMPANY – 2007				
Non-current assets	1 997	–	38 217	40 214
Equipment and vehicles	–	–	243	243
Investments in subsidiaries	–	–	36 215	36 215
Investment in associate company	–	–	1 793	1 793
Loans and receivables	1 997	–	–	1 997
Deferred taxation	–	–	(34)	(34)
Current assets	75 251	–	295	75 546
Loans receivable	53 853	–	–	53 853
Inventories	–	–	260	260
Trade and other receivables	302	–	–	302
Taxation	–	–	35	35
Cash and cash equivalents	21 096	–	–	21 096
Total assets	77 248	–	38 512	115 760
Current liabilities				
Loans and payables	–	42 358	–	42 358
Trade and other payables	–	4 658	–	4 658
Total liabilities	–	47 016	–	47 016

For the year ended 31 December 2008

36. SENSITIVITY ANALYSIS

Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk comprise cash balances, interest-bearing borrowings and loans. The interest rates applicable to these financial instruments are disclosed in the relevant balance sheet notes. The Group manages interest rate risk through a central treasury function. Cash requirements are monitored daily and cash is placed with high credit rated institutions. Interest rate risk refers to the impact of interest rate repricing on the future cash flows and earnings from assets and liabilities.

Interest rate sensitivity analysis

A 2% increase or decrease represents management's assessment of the reasonable possible changes in interest rates. The impact is as set out below.

			Increase in interest rate 2%		Decrease in interest rate 2%	
	Carrying amount	Amount exposed to risk	Profit	Other movements in equity	Profit	Other movements in equity
2009 Sensitivity forecast						
Financial assets						
Cash and cash equivalents	16 360	16 360	363	–	(356)	–
Impact of financial assets on profit before tax	–	–	363	–	(356)	–
Corporate tax charge	–	–	(102)	–	100	–
Impact of financial assets on profit after tax	–	–	261	–	(256)	–
Financial liabilities						
Bank borrowings	35 312	35 312	(817)	–	802	–
Instalment sale agreements	539	539	(2)	–	2	–
Impact of financial liabilities on profit before tax	–	–	(819)	–	804	–
Corporate tax charge	–	–	229	–	(225)	–
Impact of financial liabilities on profit after tax	–	–	(590)	–	579	–
Total (decrease)/increase after tax	–	–	(329)	–	323	–
2008 Sensitivity forecast						
Financial assets						
Cash and cash equivalents	23 171	23 171	260	–	(258)	–
Impact of financial assets on profit before tax	–	–	260	–	(258)	–
Corporate tax charge	–	–	(73)	–	72	–
Impact of financial assets on profit after tax	–	–	187	–	(186)	–
Financial liabilities						
Bank borrowings	30 762	30 762	(349)	–	347	–
Instalment sale agreements	1 252	1 252	(20)	–	20	–
Impact of financial liabilities on profit before tax	–	–	(369)	–	367	–
Corporate tax charge	–	–	103	–	(103)	–
Impact of financial liabilities on profit after tax	–	–	(266)	–	264	–
Total (decrease)/increase after tax	–	–	(79)	–	78	–

For the year ended 31 December 2008

Contractual undiscounted cash flows from: *	1 month #	2 to 3 months	4 to 6 months	7 to 12 months	More than a year	Carrying amount
37. FINANCIAL ASSETS – MATURITY ANALYSIS						
GROUP – 2008						
Loans receivable	–	–	–	–	3 602	3 602
Trade and other receivables	66 912	21 508	5 735	1 434	–	95 589
Cash and cash equivalents	16 360	–	–	–	–	16 360
	83 272	21 508	5 735	1 434	3 602	115 551
GROUP – 2007						
Loans receivable	–	–	–	–	–	–
Trade and other receivables	56 214	17 270	4 605	1 151	–	79 240
Cash and cash equivalents	23 171	–	–	–	–	23 171
	79 385	17 270	4 605	1 151	–	102 411
FINANCIAL LIABILITIES – MATURITY ANALYSIS						
GROUP – 2008						
Finance lease obligations	20	40	59	119	416	539
Trade and other payables	25 936	5 224	45	4 916	133	33 954
Purchase consideration owing in respect of business combination	–	500	–	–	–	500
Bank borrowings	35 312	–	–	–	–	35 312
	61 268	5 764	104	5 035	549	70 305
GROUP – 2007						
Finance lease obligations	58	117	175	351	804	1 252
Trade and other payables	22 330	4 900	–	5 007	4 667	36 904
Purchase consideration owing in respect of business combination	–	–	818	–	–	818
Bank borrowings **	30 762	–	–	–	–	30 762
	53 150	5 017	993	5 358	5 471	69 736

** Cash flow amounts are not discounted whereas the carrying amount values are discounted.*

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

 # 1 Month – includes amounts payable on demand.

For the year ended 31 December 2008

Contractual undiscounted cash flows from: *	1 month #	2 to 3 months	4 to 6 months	7 to 12 months	More than a year	Carrying amount
38. FINANCIAL ASSETS – MATURITY ANALYSIS						
COMPANY – 2008						
Loans receivable	69 169	–	–	–	–	69 169
Trade and other receivables	112	–	–	–	–	112
Cash and cash equivalents	13 927	–	–	–	–	13 927
	83 208	–	–	–	–	83 208
COMPANY – 2007						
Loans receivable	55 850	–	–	–	–	55 850
Trade and other payables	302	–	–	–	–	302
Cash and cash equivalents	21 096	–	–	–	–	21 096
	77 248	–	–	–	–	77 248
FINANCIAL LIABILITIES – MATURITY ANALYSIS						
COMPANY – 2008						
Loans from subsidiaries	43 038	–	–	–	–	43 038
Trade and other payables	8 261	–	–	–	–	8 261
Taxation payable	–	–	–	371	–	371
	51 299	–	–	371	–	51 670
COMPANY – 2007						
Loans from subsidiaries	42 358	–	–	–	–	42 358
Trade and other payables	4 658	–	–	–	–	4 658
	47 016	–	–	–	–	47 016

** Cash flow amounts are not discounted whereas the carrying amount values are discounted.*

 # 1 Month – includes amounts payable on demand.

Details of subsidiary companies and associate company

For the year ended 31 December 2008

	Country of incor-poration	Ordinary share capital R	Portion held directly or indirectly by holding Company %	Book value of shares at cost R	Class A pre-ference share capital R	Portion held directly or indirectly by holding Company %	Class B pre-ference share capital R	Portion held directly or indirectly by holding Company %	Amount owing by/(to) subsidiaries 2008 R'000	2007 R'000
African Recruitment Manpower (Proprietary) Limited	South Africa	160	100,0	160					(841)	(841)
Bathusi Recruitment (Proprietary) Limited*	South Africa	100	49,0	49					–	–
Empvest Outsourcing (Proprietary) Limited*	South Africa	1 000	35,8	482					502	–
Ibiza Trading 7 (Proprietary) Limited	South Africa	100	100,0	–					(255)	(255)
Primeserv ABC Recruitment (Proprietary) Limited	South Africa	100	74,2	74	370	100	448	74,2	15 763	12 144
Primeserv Corporate Solutions (Proprietary) Limited	South Africa	100	74,2	74	37	100	618	74,2	863	1 033
Primeserv Denverdraft (Proprietary) Limited	South Africa	100	100,0	100					1 700	–
Primeserv Employee Solutions (Proprietary) Limited	South Africa	100	74,2	74	392	100	276	74,2	(38 447)	(37 784)
Primeserv Productivity Services (Proprietary) Limited	South Africa	100	100,0	100					1 859	2 127
Primeserv Recruitment (Proprietary) Limited	South Africa	100	100,0	100					(3 164)	(3 147)
Primeserv Staff Dynamix (Proprietary) Limited	South Africa	100	74,2	100					1 590	173
Primeserv Technical Training (Proprietary) Limited	South Africa	100	74,2	100					–	–
Primeserv Training (Proprietary) Limited	South Africa	100	100,0	100					41 867	37 812
Privest International Limited	Jersey	30	100,0	30					564	564
Thuso Outsourcing (Proprietary) Limited	South Africa	100	70,0	70					(331)	(331)
				1 613					21 670	11 495
								Amounts owing to subsidiaries	(43 038)	(42 358)
								Amounts owing by subsidiaries	64 708	53 853
									21 670	11 495

NOTES

Bathusi Staffing Services (Proprietary) Limited became an associate with effect from 29 January 2005 and was therefore deconsolidated from the Group's results and equity accounted as from that date. The Group holds a 45% (2007: 45%) interest in the associate.

The HR Solutions businesses operate through Primeserv Corporate Solutions (Proprietary) Limited, Primeserv Training (Proprietary) Limited, Primeserv Recruitment (Proprietary) Limited and Thuso Outsourcing (Proprietary) Limited.

The Colleges businesses operate through Primeserv Training (Proprietary) Limited and Ibiza Trading 7 (Proprietary) Limited.

The Outsourcing businesses operate through Primeserv Employee Solutions (Proprietary) Limited, Primeserv ABC Recruitment (Proprietary) Limited, Primeserv Staff Dynamix (Proprietary) Limited, African Recruitment Manpower (Proprietary) Limited, Privest International Limited, Empvest Outsourcing (Proprietary) Limited, Primeserv Denverdraft (Proprietary) Limited and Bathusi Staffing Services (Proprietary) Limited.

Primeserv Productivity Services (Proprietary) Limited is the subsidiary nominated to acquire shares in the holding Company.

African Recruitment Manpower (Proprietary) Limited, Bathusi Recruitment (Proprietary) Limited, Ibiza Trading 7 (Proprietary) Limited, Primeserv Technical Training (Proprietary) Limited, Privest International Limited and Thuso Outsourcing (Proprietary) Limited are dormant.

* *These companies are treated as subsidiaries of Primeserv Group Limited as it has effective power to govern the financial and operating policies of the enterprise and therefore obtains benefits from its activities.*

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

Analysis of shareholding

As at 31 December 2008

	Number of shareholders	Number of shares held	% shareholding
PORTFOLIO SIZE			
1 – 50 000 shares	481	3 421 802	2,6
50 001 – 500 000 shares	105	18 063 738	13,7
500 001 – 5 000 000 shares	31	39 612 042	30,0
over 5 000 000 shares	6	70 965 161	53,7
	623	132 062 743	100,0
CATEGORY			
Directors (beneficial, direct and indirect) and management *	11	47 784 716	36,2
Nominee companies and schemes	2	9 200	0,0
Individual and other corporate bodies	610	84 268 827	63,8
	623	132 062 743	100,0
INTERESTS OF 5% OR GREATER			
M Abel		18 014 741	13,7
Trade-Off 3029 CC		16 158 745	12,2
Primeserv Productivity Services (Proprietary) Limited (treasury shares)		10 645 489	8,1
The Primeserv Group Limited Share Trust		10 608 035	8,0
The Boles Family Trust (Cession)		9 516 000	7,2
		64 943 010	49,2
SHAREHOLDER SPREAD			
Total non-public shareholders *	11	47 784 716	36,2
Public shareholders	612	84 278 027	63,8
	623	132 062 743	100,0

** Non-public shareholders include the directors' beneficial, direct and indirect shareholding, companies controlled by the directors and the voting pool.*

Market statistics

For the year ended 31 December 2008

	2008	2007
JSE PERFORMANCE PER SHARE		
Year-end closing market price of ordinary shares (cents)	40	75
High closing market price of ordinary shares (cents)	85	85
Low closing market price of ordinary shares (cents)	40	37
Volume of shares traded (million)	14	21
Value of shares traded (R'000)	10 354	14 805
NUMBER OF SHARES IN ISSUE		
Opening balances (including treasury and share trust shares)	132 062 743	132 062 743
Closing balances (including treasury and share trust shares)	132 062 743	132 062 743
Market capitalisation at year-end (R'000)	52 825	99 047
Market capitalisation at year-end excluding treasury and share trust shares (R'000)	44 324	86 167

Notice of annual general meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take arising from the following resolutions, contact your stockbroker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the tenth annual general meeting of the shareholders of Primeserv Group Limited ("Primeserv") will be held at 207 Main Avenue, Ferndale, Randburg, at 09:00 on Friday, 24 July 2009, for the following:

To consider and, if deemed fit, to pass the following ordinary and special resolutions:

AS ORDINARY RESOLUTIONS

1. To receive and consider the Company financial statements and Group financial statements for the year ended 31 December 2008.
2. To confirm the appointment of the Company's auditors, PKF (Jhb) Inc, as independent auditors of the Company and to appoint Ben Frey as the designated auditor for the following year.
3. To re-elect directors who retire by rotation in accordance with the Company's Articles of Association.

   The following directors retire by rotation in accordance with the Company's Articles of Association:

   – JM Judin
   – LM Maisela
   – DL Rose

   3.1 To re-elect as director JM Judin, who retires by rotation and, being eligible, offers himself for re-election in terms of the Company's Articles of Association.

   J Michael Judin is an Independent Non-Executive Director of Primeserv Group Limited and was appointed to the Board in August 1997, with the qualification Dip Law. Michael is a director of Johannesburg-based law firm Goldman Judin Inc. He is legal adviser to and a director of The American Chamber of Commerce in South Africa. He is also a director of other listed companies, Set Point Technology Holdings Limited and Nu-World Holdings Limited.

   3.2 To re-elect as director LM Maisela, who retires by rotation and, being eligible, offers himself for re-election in terms of the Company's Articles of Association.

   Letepe Maisela (BA Soc Sc) is the Managing Director of Village Management Consulting (Pty) Limited. He has over 25 years' experience in marketing and management consulting. He is the founder and chairman of Tsabatsaba Holdings (Pty) Limited (formerly Kgorong Investment Holdings (Pty) Limited). Letepe is currently chairman of International Finance Group (IFG), the Harvard Business School committee – South Africa and Underline Advertising Agency. He is also a director of The Limpopo Trade and Investment Agency, Kayamandi Resources and The National Arts Festival – Grahamstown.

   3.3 To re-elect as director DL Rose, who retires by rotation and, being eligible, offers himself for re-election in terms of the Company's Articles of Association.

   David L Rose (BCom, BA, CA(SA), F.Inst.D) spent 41 years with Fisher Hoffman, a major national firm of chartered accountants. He became a partner in the firm in 1970 and was Managing Partner of the Johannesburg office as well as Chairman of the National Practice from 1991 to 1998. He is Non-Executive Director of Super Group Limited and Celcom.

4. To authorise the Remuneration and Nomination Committee to confirm the remuneration of the directors for the year ended 31 December 2008, and to determine the remuneration of the directors for the year ending 31 December 2009.
5. To authorise the directors to determine the remuneration of the auditors for the year ended 31 December 2008.
6. That the authorised but unissued share capital of the Company be placed at the disposal and under the control of the directors of the Company and the directors are hereby authorised and empowered to issue shares in regard to:

   6.1 Acquisition issues;

   6.2 Issues of shares for cash as set out in Resolution Number 7;

   6.3 Issues of shares arising out of the exercise of options granted under the terms of the Primeserv Group Limited share incentive scheme by the Primeserv Group Limited Share Trust or under the terms of any Broad-Based Employee Share Plan developed under the provisions of Section 8B of the Income Tax Act;

   to allot, issue and otherwise dispose thereof to such person or persons and on such terms and conditions at their discretion, subject to the provisions of the Companies Act and the JSE Limited ("JSE") Listings Requirements.

7. Subject to the passing of Ordinary Resolution number 6, that the directors of the Company be and they are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued shares in the capital of the Company for cash, as and when they in their discretion deem fit, subject to the Companies Act, the Articles of Association of the Company, the JSE Listings Requirements, when applicable, and the following limitations, namely that:

   – the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

   – any such issue will be made to public shareholders only, as defined by the JSE, and not to related parties in terms of 5.52 of the Listings Requirements of the JSE;

   – the number of shares issued for cash shall not in the aggregate exceed in any financial year, 5% (five percent) of the Company's issued ordinary share capital. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from option/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten; or an acquisition which has had final terms announced;

– this authority be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of this resolution, whichever period is shorter;

– a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within any one financial year, 5% (five percent) of the number of ordinary shares in issue prior to such issue; and

– in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of such shares, as determined over the thirty-day period prior to the date that the price of the issue is determined or agreed by the directors of the Company.

Ordinary Resolution Number 7 is required, under the JSE Listings Requirements, to be passed by achieving a 75% (seventy-five percent) majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote at the annual general meeting.

8. That any director of the Company or the Company Secretary be and is hereby authorised to sign all documents and do all acts which may be required to carry into effect the Special Resolutions contained in the notice of annual general meeting incorporating this ordinary resolution.

AS SPECIAL RESOLUTION

9. SPECIAL RESOLUTION NUMBER 1

Resolved that, as a general approval contemplated in terms of Sections 85(2) and 85(3) of the Companies Act, the acquisition by the Company, and/or any subsidiary of the Company, from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles of Association of the Company, the provisions of the Companies Act and the JSE Listings Requirements, where applicable, and provided that:

– the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;

– this general authority shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of this special resolution number 1, whichever period is shorter;

– in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be no more than 10% (ten percent) above the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;

– the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty percent) of the Company's issued ordinary share capital from the date of the grant of this general authority;

– the Company and the Group are in a position to repay their debt in the ordinary course of business for the following year after the date of this notice of annual general meeting;

– the consolidated assets of the Company, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the consolidated liabilities of the Company for the following year after the date of this notice of annual general meeting;

– the ordinary capital and reserves of the Company and the Group are adequate for the next twelve months after the date of this notice of annual general meeting;

– the available working capital is adequate to continue the operations of the Company and the Group in the following year after the date of this notice of annual general meeting;

– before entering the market to proceed with the repurchase, the Company's Sponsor has complied with its responsibilities contained in Schedule 25 of the JSE Listings Requirements;

– after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;

– the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;

– when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made on SENS and in the press; and

– the Company appoints only one agent to effect any repurchase(s) on its behalf.

Reason for and effect of Special Resolution Number 1

The reason for and effect of Special Resolution Number 1 is to authorise the Company and/or its subsidiaries by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company, subject to the limitations set out above.

The directors of the Company have no specific intention to effect the provisions of Special Resolution Number 1 but will, however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of Special Resolution Number 1.

Notice of annual general meeting

Other disclosures in terms of Section 11.26 of the JSE Listings Requirements

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

- Directors and management (page 8)
- Major shareholders of Primeserv (page 69)
- Directors' interests in securities (page 35)
- Share capital of Primeserv (page 53)

Material change

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

Directors' responsibility statement

The directors, whose names are given on page 8 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all such information required by law and the JSE Listings Requirements.

Litigation statement

In terms of Section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on page 8 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve months, a material effect on the Group's financial position.

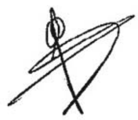
To transact any other business as may be transacted at an annual general meeting.

Any member entitled to vote at the annual general meeting may appoint a proxy or proxies to attend, speak and vote in his stead and the person/persons so appointed need not be a member/members of the Company.

If you are a certificated or dematerialised shareholder with "own name" registration and unable to attend the annual general meeting of ordinary shareholders to be held be held at the 207 Main Avenue, Ferndale, Randburg, at 09:00 on Friday, 24 July 2009 and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions therein. If you have dematerialised your shares with a Central Securities Depository Participant ("CSDP") or broker (other than "own name" dematerialised shareholders), you must arrange with them to provide you with the necessary Letter of Representation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker in the manner and cut-off time stipulated therein.

A proxy form is enclosed for use at this tenth annual general meeting. Proxy forms should be forwarded to reach the share transfer secretaries not later than 09:00 on Wednesday, 22 July 2009.

By order of the Board



ER GOODMAN SECRETARIAL SERVICES CC
(REPRESENTED BY E GOODMAN)
Company Secretary

Johannesburg
19 June 2009

PRIMESERV GROUP LIMITED

Incorporated in the Republic of South Africa
Registration number 1997/013448/06
Share code: PMV
ISIN: ZAE000039277
Venture House, Peter Place Park
54 Peter Place, Bryanston, 2021
PO Box 3008, Saxonwold, 2132
http://www.primeserv.co.za
email: productivity@primeserv.co.za

SHARE TRANSFER SECRETARIES

Computershare Investor Services (Proprietary) Limited
70 Marshall Street, Marshalltown, 2001
PO Box 61051, Marshalltown, 2107

Shareholders' diary

FINANCIAL YEAR-END	31 December 2008
REPORTS ON PROFIT STATEMENTS AND MEETINGS	
Audited results published	19 March 2009
Annual report published	June 2009
Annual general meeting	24 July 2009
NEXT FINANCIAL YEAR-END	31 December 2009
REPORTS ON PROFIT STATEMENTS AND MEETINGS *	
Half-year interim report to be published	September 2009
Audited results to be published	March 2010
Annual report to be published	March 2010
Annual general meeting	May 2010

* *These dates are subject to change*

Administration

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

REGISTERED OFFICE
Venture House
Peter Place Park
54 Peter Place
Bryanston, 2021

PO Box 3008, Saxonwold 2132

Telephone: +27 011 691 8000
Telefax: +27 011 691 8011

http://www.primeserv.co.za
email: productivity@primeserv.co.za

COMPANY SECRETARY
ER Goodman Secretarial Services CC
(represented by E Goodman)
2nd Floor
Palm Grove
Grove City
196 Louis Botha Avenue
Houghton, 2198

LEGAL ADVISORS
Cliffe Dekker Inc.

DM Kisch Inc.

Edward Nathan Sonnenbergs

Peter W Wentzel Attorney

CORPORATE ADVISORS
Thoth Consulting CC

SPONSOR
Deloitte & Touche Sponsor Services (Pty) Limited
Deloitte & Touche Place
The Woodlands
20 Woodlands Drive
Woodmead, 2196

Private Bag X6, Gallo Manor, 2052

BANKERS
FirstRand Bank Limited

Investec Bank Limited

MERCHANT BANK
Investec Bank Limited

AUDITORS
PKF (Jhb) Inc.
42 Wierda Road West
Wierda Valley
Sandton, 2196

Postnet Suite 200
Private Bag X30500
Houghton, 2041

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Limited
Registration number 2004/003647/07
70 Marshall Street Marshalltown 2001

PO Box 61051, Marshalltown, 2107

CORPORATE COMMUNICATIONS
Bairds Renaissance (Pty) Limited

Graphiculture (Pty) Limited

Glossary

ABET	Adult Basic Education and Training
AIDS	Acquired Immune Deficiency Syndrome
ASGISA	Accelerated Shared Growth Initiative for South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BUSA	Business Unity South Africa
CAPES	Confederation of Associations in the Private Employment Sector
CEA	Construction Engineering Association
CEALBD	Constructional Engineering Association's Labour Broker Division
CETA	Construction Education and Training Authority
COIDA	Compensation for Occupational Injuries and Diseases Act, 1993
CSI	Corporate Social Investment
DoL	Department of Labour
EBITDA	Earnings before interest, tax, depreciation and amortisation
EME	Exempt Micro Enterprise
ETDP	Education, Training and Development Practices
FET	Further Education and Training
FIFA	Fédération Internationale de Football Association
GDP	Gross Domestic Product
HR	Human Resources
HIV	Human Immunodeficiency Virus
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IR	Industrial Relations
JIPSA	Joint Initiative for Priority Skills Acquisition
JSE	JSE Limited
MANCO	Management Committee
MCSE	Microsoft Certified Systems Engineer
MEIBO	Metal Engineering Industry Bargaining Council
NBCRFI	National Bargaining Council for the Road Freight Industry
NEDLAC	National Economic Development and Labour Council
NGO	Non-Governmental Organisations
NQF	National Qualifications Framework
SARS	South African Revenue Service
SADEC	Southern African Development and Economic Community
SANAS	South African National Accreditation System
SDF	Skills Development Facilitator
SEIFSA	Steel and Engineering Industries Federation of South Africa
SETA	Sector Education Training Authority
SHEQ	Safety, Health, Environment and Quality
TES	Temporary Employment Services
TESD	Temporary Employment Services Division
TETA	Transport Education and Training Authority
VAT	Value Added Tax

Form of proxy

PRIMESERV GROUP LIMITED

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

For the use by certificated or "own name" dematerialised shareholders of Primeserv for the tenth annual general meeting of Primeserv Group Limited to be held at 207 Main Avenue, Ferndale, Randburg at 09:00 on Friday, 24 July 2009 ("the annual general meeting").

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

I/We ____

(Name/s in block letters)

of (address) ____

Being the registered holders of [   ] ordinary shares in Primeserv, appoint (see note 1, overleaf), do hereby appoint

1. ____ or failing him/her

2. ____ or failing him/her

3. the Chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the general meeting which will be held for the purposes of considering, and if deemed fit, with or without modification, eleven resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2, overleaf).

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Resolution number 1 – Adoption of financial statements			
Resolution number 2 – To confirm the reappointment of PKF (Jhb) Inc. and Ben Frey as auditors of the Company for the following year			
Resolution number 3 – To confirm the reappointment of:			
3.1 JM Judin			
3.2 LM Maisela			
3.3 DL Rose			
Resolution number 4 – To authorise the Remuneration and Nomination Committee to determine the remuneration of the directors			
Resolution number 5 – To authorise the directors to determine the remuneration of the auditors			
Resolution number 6 – Directors' control over authorised but unissued share capital			
Resolution number 7 – General authority on issue of shares			
Resolution number 8 – Authority for directors or Company Secretary to implement the resolutions			
Special resolution number 1 – General authority to repurchase shares			

Signed at ______________________________ on ______________________________ 2009

Signature ____

Assisted by me (where applicable)

Notes to the proxy form

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

2. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes.

3. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries or by the chairman of the annual general meeting before the commencement of the annual general meeting.

4. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the general meeting, be proposed, the proxy shall be entitled to vote as he/she thinks fit.

5. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded with the Company's transfer secretary or waived by the chairman of the annual general meeting.

6. His/her parent or guardian as applicable must assist a minor or any other person under legal incapacity, unless the relevant documents establishing capacity are produced or have been registered with the transfer secretaries.

7. Where there are joint holders of ordinary shares:
   - any one holder may sign the form of proxy;
   - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register) who tender a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

8. Proxies must be lodged at or posted to the Company or the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received not later than 09:00 on Wednesday, 22 July 2009.

9. Any alteration or correction made to this form of proxy other than the deletion of alternatives must be initialled by the signatory/ies.

10. The completion and lodging of this proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

11. The chairman of the meeting may reject or accept a proxy that is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

12. *If you have not dematerialised your shares and selected own name registration in the sub-register:*

    You may either attend the general meeting in person or complete and return the form of proxy in accordance with the instructions contained therein to the transfer secretaries.

13. *If you have dematerialised your shares through a CSDP or broker and registered them in a name other than your own name and wish to vote at the annual general meeting:*

    If you have already dematerialised your shares you must advise your CSDP or broker of your voting instructions on the proposed resolutions. However, should you wish to attend the general meeting in person, you will need to request your CSDP or broker to provide you with the necessary Letter of Representation in terms of the custody agreement entered into with the CSDP or broker.

Group operational trade names and trademarks

• ABC International • ABC Recruitment • African Recruitment Manpower (ARM) • Business Enterprises South Africa (BESA) • Chamdor • Chebo • CV Online • Contract Staff Hire • David Heath Search and Recruitment • Denverdraft • Executive Task Force • Hampton College • Home Study College • HR Training • Humanitas • Integrated Marketing Information Group (IMIG) • Interplace Recruitment • Labour Law Group • Manufacturing and Technical Skills Institute (MTSI) • Marjorie Levy and Associates • Mech Elect • Natalie Stoltz & Associates • Percon • Personnel Performance • Peter Adendorff Associates • Phenix • Select Personnel • Selected Manpower Services (SMS) • Staff Dynamix • Stafflink • Stanford Business and Computer College • Thami • VE Training • Working World College

360º Integrated or modular HR products, services and solutions.

360º hr services

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