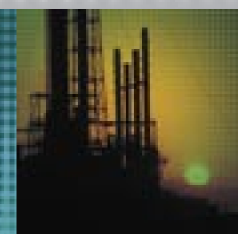
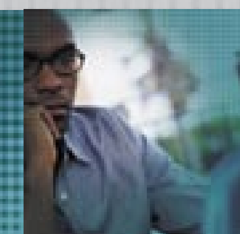
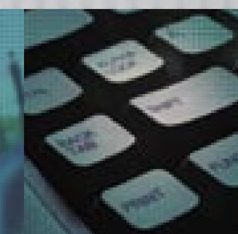
www.primeserv.co.za



Primeserv Group Limited **Annual Report 2005**





Primeserv Group Limited
Annual Report 2005

PRIMESERV
GROUP LIMITED

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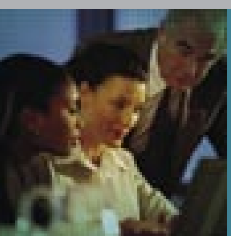
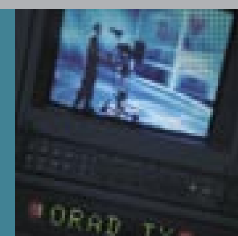
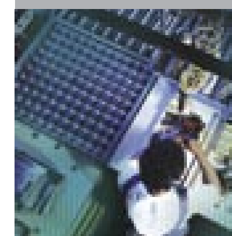
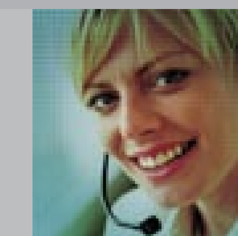




Administration





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

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Profile

Through its holistic focus on people, productivity and performance, Primeserv liberates individual and organisational potential.

Primeserv Group Limited* is listed in the Support Services – Education, Business Training and Employment Agencies sector on the JSE Limited.

The Group's products and services are provided through its HR Solutions, Colleges and Outsourcing divisions. These incorporate human resources (HR) solutions, consulting, skills training centres, corporate and vocational training programmes, as well as resourcing and flexible staffing services, including skills, labour, wage bureau and HR logistics outsourcing operations.

Primeserv serves people by building their skills sets and assisting them to fully realise their potential by applying these competencies in the workplace. Primeserv serves organisations by devising and implementing integrated HR services that drive productivity and performance efficiencies.

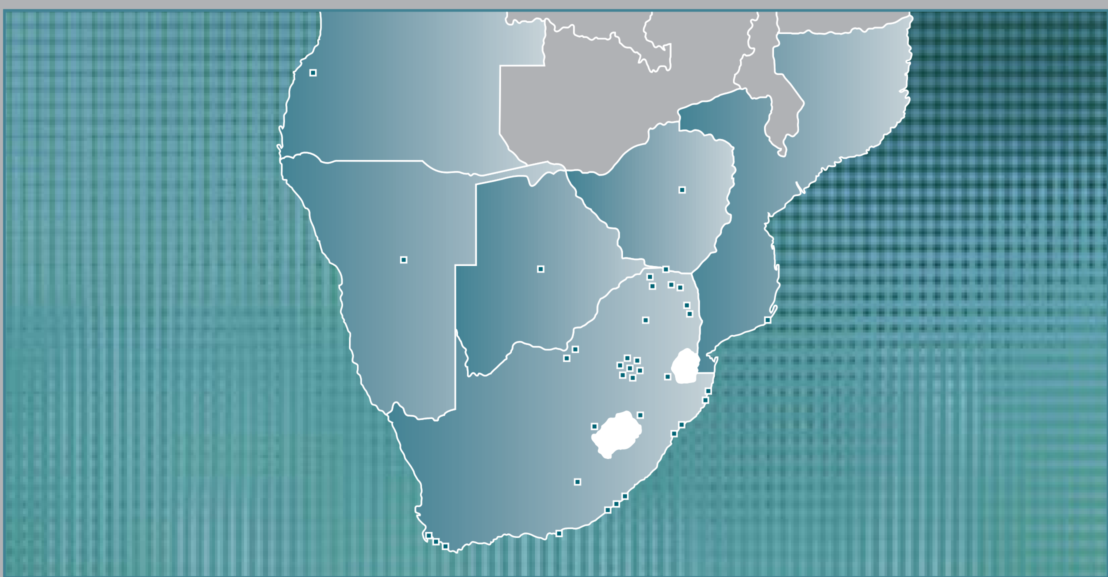
Through its holistic focus on people, productivity and performance, Primeserv liberates individual and organisational potential.

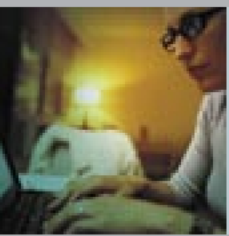
Primeserv's goal is to enhance stakeholder wealth through real earnings growth.

* Primeserv or the Group

Group structure

Regional representation





An enhanced platform for improved future performance has been set in place through effective execution of the strategy during the review period.

Primeserv focuses on leveraging the Group's HR Services value chain to achieve a sound return on investment.

The Group has three core strategies: building a strong balance sheet, thereby enabling it to leverage organic and acquisitive growth opportunities; investment in intellectual capital and a stable management team; and securing and maintaining day-to-day and long-term contractual business to deliver real earnings growth.

In addition, the Group has a Black Economic Empowerment (BEE) strategy that is geared towards the ongoing transformation of the organisation through employment equity and skills development.

Accordingly, the Group has always committed itself to:

- continued understanding of our clients' changing needs;
- delivering economically measurable value to our customers and clients;
- improved knowledge of market dynamics;
- sustained, focused investment in HR products and services;
- growing the existing customer base through increased product and services usage;
- acquiring new clients and entering new markets;
- effective resource allocation and cost containment, supported by strong values and a performance-led organisational culture;
- improving our presence in southern Africa in order to continue to meet clients' requirements as they expand their geographical reach;
- building internal capability as a key competitive advantage within a nurturing working environment;
- enhancing the Group's leadership position in the areas of HR consulting, skills development and flexible staffing services, while evolving our integrated HR services model;
- nurturing effective Black Economic Empowerment (BEE) internally and externally; and
- becoming the integrated HR services provider of choice.

STRATEGIC REVIEW

Execution of the Primeserv strategy was effected through a specific focus on addressing the key elements mentioned above. Particular emphasis was placed on improved understanding of clients' needs and delivery against those needs; and continued investment in leading HR products and services.

Resource allocation and cost containment was effective in the second half of the year and a new performance measurement process is proving effective in driving the performance culture.

The balance sheet as well as margins in key segments improved; solid cash flows were realised; BEE transformation accelerated; investment in intellectual capital increased; and the management team remains stable.

The Primeserv Int**HR**grate™ Model

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

The Primeserv Int**HR**grate™ Model

BACKGROUND AND CONTEXT

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

The Human Resources (HR) function plays a critical custodian role in assisting business to achieve its strategy through the effective utilisation of its primary resource – its human capital.

HR management has traditionally focused on, and been regarded as, a transactional cost-centre. The emphasis has been on HR administration, payroll and legislative issues rather than the strategic role HR can play through its contribution to leadership, succession planning, and skills development.

Primeserv HR Service's mission is to partner with customers in identifying and developing HR strategies and processes that will contribute to the achievement of their business strategies.

This is the cornerstone of the Primeserv Int**HR**grate™ Model that was built from our understanding of the entire strategic and operational HR process.

The development of this 360° model enables us to provide a comprehensive integrated or modular suite of benchmarked world-class HR services and solutions that unlock the entire HR process as a value driver in our customers' businesses.

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

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

Primeserv Int**HR**grate™ Model explained:

HR ALIGNMENT WITH BUSINESS STRATEGY AND STRUCTURE

A well-defined business strategy is imperative for any organisation to ensure that it directs all its efforts (capital, equipment/machinery and human capital) towards the achievement of a stated goal/result.

The key questions are:

- Do we know where we are going to and what we want to achieve?

The HR function/custodian contributes to the business strategy by providing a range of services to the business including assessing, training and developing, performance monitoring, resourcing/outsourcing, and maintaining and supporting the organisation's human capital towards the achievement of the stated goal.

- What do we need to do with regards to our human capital to achieve our business strategy?

Effectively, the HR function/custodian is responsible for the implementation, measurement and management of the HR processes needed to ensure that an organisation has the human capital to achieve its strategy.

HR PROCESSES

It is imperative that all HR processes are integrated so that the efforts of the human capital and the HR function can be measured in tangible terms.

- **Competency Assessment**
  People skills and competencies must be assessed continuously so that that the business is fully aware of the value/competence of its human capital at all times. Accurate assessment is essential to ensure people with the right competencies and skills are recruited and placed in the right positions. Assessment is essential to enable the identification and development of people with potential, to meet their career aspirations and to align their development with future business needs through targeted training programmes.

- **Training and Development**
  Training and development must take place against real needs. The training interventions provided should meet the needs of the business, the needs of the individuals, as well as national imperatives in terms of the critical skills shortage.

- **Performance Management**
  Performance measures from strategic to operational level are essential to track performance against the business strategy so that short-term remedial actions can be taken.

- **Resourcing/Outsourcing**
  The right skills in the right place at the right time in the right numbers are key to productivity and optimal operational performance. Permanent or flexible staffing solutions provide the organisation with a cost-effective, sustained staffing option.

- **HR Maintenance**
  Efficient HR administrative systems are essential to meet the organisation's contractual obligation to its people's overall satisfaction and ultimately their performance. These include payroll, reward and remuneration, health and safety, and industrial relations.

- **HR Support**
  The emotional well-being of individuals has a direct influence on performance. Career and succession planning, HIV/Aids and stress management/ burnout strategies, individual coaching and counselling and related interventions, contribute to their emotional well-being.

Directorate

1 J Michael Judin*

Non-Executive Chairman (59)
Dip Law
Appointed: August 1997
Michael is a director of Johannesburg-based law firm Goldman Judin Maisels 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 (46)
BA (Hons), MBA
Appointed: August 1997
Merrick has served as CEO since founding the Group in 1997 and was Executive Chairman from 2000 to 2003. He has over 18 years' local and international commercial experience, particularly in the industrial and services industries.

3 Nelson N Rodrigues

Chief Financial Officer (45)
BCom, B.Acc, CA(SA)
Appointed: September 2004
Nelson has over 19 years' experience in the finance arena having worked for various companies including Nampak. He was Financial Director of two previously listed companies, namely, Woodrow Holdings Limited and Natural Health Holdings Limited.

4 Allan T McMillan#

Executive Director (43)
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 13 years. Prior to this he was involved in the financial services sector.

5 Saul Klein†*

Non-Executive Director (47)
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.

6 Constance Nkosi

Non-Executive Director (59)
BA, MBA, AEP
Appointed: September 2004
Constance is Executive Chairman of The Lidonga Group, an empowerment company; as well as a Non-Executive Director of Pick 'n Pay Limited; Non-Executive Chairman of First Technology (Proprietary) Limited and Deputy Chairman of Uthingo Management (Proprietary) Limited. Constance, who became the first black female to qualify from Wits Business School, is a sought after business strategist and BEE policy adviser.

7 David L Rose*

Non-Executive Director (63)
BCom, BA, CA(SA), F.INST.D
Appointed: February 2005
David is an Executive Director of Terra Nova Financial Services (Proprietary) Limited. 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.

8 Desmond C Seaton

Non-Executive Director (45)
BCom, LLB, Dip Tax
Appointed: August 2003
Desmond is a founder member of TWS Consulting, a tax and legal consultancy. He specialises in corporate, legal and tax advice. He is also a Non-Executive Director of ISA Group Limited.

†American
#British
*Independent

Non-Executive Chairman's statement

Primeserv's integrated model can and will deliver value – not only to Primeserv's shareholders but also to the country.

2005 was a positive year for the Primeserv Group as a whole. The promised turnaround indicated in the Group's results at the end of the previous reporting period gained momentum throughout the year. Now, Primeserv is well on track to fulfil its potential and deliver sustainable long-term value to shareholders and stakeholders.

The balance sheet has improved again year on year and thanks to strong leadership and effective management, the residual after-effects of last year's losses have been well contained. Cash flow has improved and the income statement is stronger as are internal structures and depth of management. In addition, the Group's BEE credentials are solid, and the Group continues to seek ways to further transform the organisation.

Primeserv has been building a business model that is suited to the South Africa of today and tomorrow. An example of this is the promulgation of the Broad Based Black Economic Empowerment (BBBEE) Act and the introduction of Industry Charters that set targets for companies within specific industry sectors to achieve in terms of BBBEE. As a high proportion of those targets relate to human resources development, this augurs well for Primeserv and its strategy of delivering an integrated HR services and solutions offering.

Primeserv is fully supportive of the principles of the BBBEE Act. This is not just because the Group is in the business of people development as well as the effective utilisation of human resources skills. The principles on which the Group was founded in 1997 – long before the promulgation of the Act – and the development of its strategy,(including the development of the Primeserv Int**HR**grate™ Model), dovetail with the Act's guiding principles.

In my Chairman's statement last year, I expressed concern about the fact that too many people in South Africa are still unemployable. I also predicted that the challenge of the next decade of democracy would be to address issues surrounding the under-utilisation of our country's human capital and the high levels of unemployment.

I believe that by embracing the spirit of the BBBEE Act, rather than just complying with the letter of this law, corporate South Africa will go a significant way towards addressing these issues. It's in all our interests to do so because unless we truly empower citizens across the broadest possible spectrum, the economic renaissance we are currently experiencing will not be sustainable.

The fact that we are experiencing this renaissance at all is something of an economic miracle on par with the political one we celebrated in 1994. But, problems associated with human resources remain. Primeserv's integrated model which takes a holistic approach to human resources utilisation and development, offers a solution which can and will deliver value – to Primeserv's shareholders and to the country.

The Primeserv board is confident about the future of South Africa and we are committed to assisting the Group to play an active role in securing this.

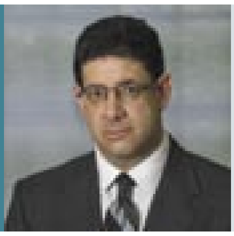
Primeserv is positioned to benefit from improvements in the economy and it is capable of sustaining itself as the fundamentals are in place: it has focused on its balance sheet and cash flow and ensured those are strong; it has a stable management team that has been in place from its inception. With these basics in place, Primeserv can and does deliver a level of credibility from a client and an investor perspective.

Our focus in the year ahead will be to ensure our sales and marketing works as effectively as the Primeserv Int**HR**grate™ Model. If we achieve that and we sustain the progress made to date – and there's no reason why this should not be the case – there is every reason to believe that the forward momentum experienced by the Group in 2005 will accelerate in 2006.

J Michael Judin
Non-Executive Chairman

Johannesburg
14 December 2005

Chief Executive Officer's review



The Group's improving financial health is underpinned by a solid strategy.

INTRODUCTION

Primeserv has successfully navigated one of the more challenging periods in its seven-year history. This was particularly so in the first six months of the financial year as the Group took action to deal with the overhang of the previous year's problems. Yet by the second half of the year, all the effort started to show, and it became increasingly evident that our long-held strategy of developing and delivering integrated HR services and solutions was coming together.

Indeed, by the end of the current review period, the Group had effectively achieved a major turnaround on the prior year.

What is particularly pleasing is that this sustained turnaround is due in no small measure to the fact that this was the year in which the Group's integrated strategy came together and shows signs of bearing fruit.

It is important to bear in mind that the Group's improved results for the review period are not the result of quick-fix tactics. Rather, they are the result of an ongoing management of a strategy that has been adapted to accommodate changing market conditions – as well as to take cognisance of the lessons learned as we created an organisation of substance. It's a strategy that remains a work in progress, and one which allows for – in fact, demands – ongoing improvement. And that, we believe, is Primeserv's strength: its improving financial health is underpinned by solid strategic health.

The improvement refleced on in this report took effort and determination by the entire organisation. The HR Solutions division has been virtually reinvented along the lines of our own HR outsourcing offering for customers. It has become, in effect, its own customer. As the financial results show, this dramatic and sometimes painful action has begun to work. The HR Solutions division is not yet a profit generator but it is no longer a major drain on Group resources – and it does unlock opportunities on which other Primeserv divisions such as Outsourcing and Colleges can deliver.

To a large extent, the remodelling of the HR Solutions division is in keeping with the ongoing evolution of the Primeserv Group and its products and services. For the past seven years, Primeserv has been focused on one thing: delivering HR services and solutions in a way that will most effectively drive productivity and performance efficiencies. The Group has made a number of decisions along the way that did not turn out as expected – some investment, and some, operational. However, we have remained true to the basic Primeserv business model while enabling it to develop and adapt to changing market conditions. As a result, the Primeserv business model of today is more sophisticated than it ever was. Primeserv has become a more focused organisation that understands its business better than it ever did and consequently is able to bring its customer-centric offerings to the market more effectively.

Over the past few years, we have rid the Group of the weak and non-value-adding components, retaining the core units with which Primeserv listed. The entrepreneurial management style of the Group's core management team, which has been with Primeserv virtually since its founding, has spurred the development and entrenchment of Primeserv's primary business philosophy and value drivers. This business philosophy and model enables customers to outsource some or all of their HR requirements to Primeserv with confidence because Primeserv remains a leading services provider capable of unlocking our customers' own HR value proposition through their utilisation of our 360º integrated HR services offering.

All Primeserv operations, from HR Solutions to Outsourcing to Colleges, complement each other in enabling the Group to deliver on its Int**HR**grate™ Model. All of these work in unison yet at the same time offer single set solutions and modular components to the market. Together, they position Primeserv HR Services which is the primary operating pillar of Primeserv Group Limited, as a dynamic, highly effective HR services and solutions provider.

We have developed and provide HR services and solutions with particular emphasis on those that improve productivity and efficiency in the workplace of South African organisations.

We know that if we do this well, we will improve economic opportunity for all the people who work for us, who work for our customers and who study and train with us. What we do not only adds value to Primeserv, it provides economic benefits to extended families and, in fact, makes a difference to the country as a whole. This is because we are bringing through a new generation of workers who are better equipped to be better employed, and are thus able to make a better living.

However, in focusing on getting the fundamentals in place and in correcting past problems, Primeserv has not been as aggressive as it could have been in getting its model to market. This is currently being addressed as part of the Group's growth plans.

FINANCIAL REVIEW

The Group recorded a turnaround on the prior financial year, delivering an operating profit of R2,2 million, compared to an operating loss of R3,5 million. Net profit attributable to shareholders of R3,1 million was a substantial R11,6 million improvement from the previous year's net loss attributable to shareholders of R8,5 million. This translates into the Group recording a turnaround from a headline loss of 7,31 cents per share for the prior financial year to headline earnings of 0,26 cents per share for the current year.

However, Group revenue, including Bathusi Staffing Services (Proprietary) Limited, was flat at R399,3 million (2004: R397,2 million). As had been anticipated, the Group's results were negatively affected by the loss incurred by the HR Solutions division. However, these losses were substantially reduced in the second half of the financial year.

Cash flow was once again strongly positive at R6,1 million, which resulted in net cash resources of R4,9 million, up R6,1 million from R1,2 million in net borrowings on the previous year. Group debtors' days improved favourably by 11 days to 25 days (2004: 36 days). The improved debtor collections combined with lower interest rates resulted in reduced borrowings with interest paid dropping by 42% to R1,7 million from R2,9 million for the previous period. Consequently the Group's liquidity position at year-end was further enhanced, and the balance sheet strengthened.

Exceptional items of R1,5 million were reported. These relate to the settlement of an historical vendor-related agreement and the provision for a disputed claim with SARS as previously reported. The Group is positively engaged with SARS in resolving the dispute.

No dividend was declared for the year ended 30 June 2005.

Chief Executive Officer's review

Primeserv's economically measurable value proposition is seen as a unique offering by the Group in relation to competitive products and services.

OPERATIONAL STRATEGIC REVIEW

Considerable thought has gone into the development and rollout of the Group's strategy to develop it into a primary brand, market driven, customer-centric organisation that will provide a solid pillar around which it can grow. This culminated last year in the launch of the Primeserv Int**HR**grate™ Model as a key driver to its primary operating component – Primeserv HR Services.

As described in more detail on pages 4 to 5, the Int**HR**grate™ Model was designed to differentiate Primeserv HR Services as a specialised operation providing 360° integrated or modular suites of benchmarked, world-class HR services and solutions. It enables Primeserv to unlock the entire HR process as a value driver in customers' businesses. It demonstrates Primeserv's understanding of the entire HR process from both a strategic and operational perspective.

While it is still too early to make any definitive declarations about the success of the model in the marketplace, it is clear that the foundation is solid. Primeserv HR Services has excellent products and services that can be measured favourably against its peers.

Using a modular approach to underpin the Primeserv Int**HR**grate™ Model was a deliberate strategy on the part of the Group. This has enabled it to build its expertise across the model components while South Africa's businesses develop, as have their international counterparts, with regard to how they handle their human resources.

The overwhelming trend around the world is for companies to spend more time and money on internal development and on core activities – and to allow specialists to handle non-core areas of expertise such as HR. In that scenario, Primeserv HR Services becomes increasingly relevant. South African organisations are starting to follow this trend and growing numbers are now seeking to outsource the HR function in part or entirely. As a result, Primeserv HR Services is strategically positioned at the forefront of HR.

The strategy has developed to the point that we now have in place all the elements of a value proposition that we can take to market with confidence. The Primeserv Int**HR**grate™ Model is becoming better known to and understood by the Group's client base. Its economically measurable value proposition is seen as a unique offering by the Group in relation to competitive products and services. The challenge for Primeserv in the year ahead, therefore, will be to accelerate the penetration of the Primeserv Int**HR**grate™ Model into the market.

In order to achieve this, market and corporate strategic research was begun during the second half of the review period to determine the effectiveness of internal sales and operational processes. A programme is currently underway to expand and build internal capacity and capability as part of the Group's key competitive strategic advantage.

This will be enhanced by improving the internal working environment so that the Group's organisational capability continues to improve year on year. In addition, those elements of the strategy that were implemented and effectively executed during the past year should continue to enhance the Group's position as the integrated HR services provider of choice within its chosen markets.

While we believe the Group's strategy is now at a point at which the unlocking of value in the medium term is likely, the ongoing re-evaluation and measurement of the Group's strategy continues under the direction of the Group's Central Services team. Apart from providing strategic direction and tactical business planning, Central Services focuses on investment, financial control and analysis of the allocation of resources, risk assessment and the proactive management of the operating divisions. All this is directed at ensuring appropriate and sustainable returns for the Group and its stakeholders.

OPERATIONAL REVIEW

This was a tough year for the Group from an operational perspective. Difficult and sometimes painful, measures had to be taken to ensure a swift yet sustainable turnaround from last year's loss-making situation. This required the paring of that which was

not working, the restructuring of that which was not working as well as it should, while simultaneously driving forward those areas that were working well – bearing in mind Primeserv's philosophy that room for improvement is a must.

Primeserv's competitive edge is that it has an integrated model which, rather than just supplying customers with individual components of the HR process such as HR consulting, skills development and training, college-based learning or a range of flexible staffing solutions, utilises an orchestrated process that aligns the customer's HR strategy and organisational needs. We can thus supply more effective people capable of being more productive, and who can deliver improved performance and better profitability.

It's a value proposition that offers more. However, it's also a value proposition that demands operational excellence across all Primeserv divisions – a goal towards which we are striving in delivering our integrated HR process to market.

PRIMESERV HR SOLUTIONS

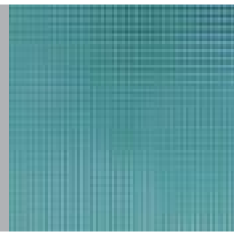
The HR Solutions division comprising the HR Consulting operation and Technical and Corporate Training units experienced a problematic year. As a result of the carry over of costs related to the previous year's difficulties, the first half of the financial year resulted in a particularly disappointing performance. Weak sales saw revenue decline to R18,9 million (2004: R32,6 million). This was exacerbated by high fixed expenses and downsizing costs.

A marked reduction in the operating loss was experienced during the second half of the financial year. Corrective management action has been implemented and the division is positioned to improve its performance in the year ahead, with a much smaller loss being anticipated.

The HR Solutions division, although it has not yet completely recovered, has reinvented itself into a substantially lower-cost operation without losing its market-leading capability. The re-working of the division as a whole into a primarily outsourced operation, with internal capability, allows the Group to move forward with far less risk.

The Group has taken steps to ensure that the causes of the previous year's losses have been identified and dealt with: controls have been tightened, management has been reshuffled; the expenses that were draining the business were pared off through a very difficult process of office closures, retrenchments, restructurings and a creation of a new business model that allows the division to offer the same services in a different way. Further refinement of this process will continue in the year ahead.

Planned investment in office automation and IT infrastructure systems will provide the Group with greater efficiencies and capability to deliver an even better service to existing and future clients.



Consulting
This operation provides client-specific HR solutions consulting which includes performance management, skills development and behavioural dynamics. Use is made of proprietary processes and tools to analyse clients' workforces and develop optimised structures that will impact positively on business productivity and performance, and meet measurable performance objectives.

This is complemented by the enhancement of individual, team and organisational performance through the development of operational, leadership and behavioural competence, as well as through effective industrial relations and remuneration consulting services.

Survival was the name of the game for the consulting arm of HR Solutions division during the review period. Very dramatic action was required to offset the problems of the previous year including restructuring and some retrenchment of personnel.

The basis for the reorganisation of the unit came from our own outsourcing model: Primeserv, in effect, became its own customer by applying the same business approach to its own organisation. We have created a model for the consulting business which allowed it to own everything at the core – including key individuals to manage the operation and invest in those areas that provide its competitive edge. Outside of that core, is a team of specialists who are on the unit's books as consultants and agents and who are outsourced to clients. These consultants and agents have a unique relationships with the operation in that while they are not employed by the unit, they are almost guaranteed most of their work from it. They deliver against proprietary product which belongs to Primeserv and which cannot be delivered to any client unless it is via the Primeserv brand or through a Primeserv agency agreement.

This has allowed Primeserv to significantly reduce the operating unit's fixed costs while retaining all the intellectual capital. There is no deterioration or even change in service delivery to clients; the only change is in terms of reduced infrastructural costs and improved expense management.

Training
The training operation's customised and generic programmes meet best practice standards. These are accredited by and aligned to the National Qualifications Framework; relevant Education and Training Quality Assurance bodies as well as Sector Education and Training Authorities (SETAs) and their learnership programmes.

During the review period, this operation was also downsized, with many of the costs that were held internally now being moved outside the business unit.

Several joint ventures have been put in place with BEE training companies which, for example, have facilities in key locations but lack access to top quality products and services. By forming alliances with them, Primeserv gains access to facilities and equipment without investment in expensive overheads. This gives our products and services immediate reach across a greater geographic spread and a more diverse population spread.

Resourcing
This operation – which is a very small, non-core component of the Primeserv model – was rightsided during the review period. However, it remains a value-add service to the organisation's client base, providing specialised permanent recruitment services with particular emphasis on Affirmative Action candidates in the financial, hospitality, office support and technical staffing arena.

PRIMESERV OUTSOURCING

The Outsourcing division, the Group's largest business unit, turned in an adequate performance with sound profits and cashflows. Revenue including its black-owned associate, Bathusi, was up 4% to R359,1 million (2004: R345,1 million). Nationally, the logistics and industrial service units performed solidly. The engineering and blue collar staffing units maintained revenues while the petrochemical unit was weakened by margin pressure and delays in shutdowns. The white collar staffing unit performed poorly. The division's key focus remains on margin improvement, working capital management and revenue growth.

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

With a dynamic database consisting of many thousands of unskilled, semi-skilled, blue collar, white collar and professional personnel, Primeserv Outsourcing is able to meet the flexible staffing requirements of organisations across more than 20 broad industry bands in which it has specialised knowledge. Clients, for which the division fulfils temporary and long-term employment contracts throughout southern Africa, as well as manages large-scale projects internationally, span the economic spectrum, from small and medium enterprises to multinational corporates, parastatals and government departments.

Workplace flexibility has become essential in the drive by organisations for increased productivity and maximised utilisation of resources. The division's outsourced staffing solutions are provided in an integrated and modular format, in line with the Primeserv Int**HR**grate™ Model, in order to meet this need.

The operation's strength lies in its ability to implement appropriate, tailored solutions across regions with complex HR and IR challenges. Its success in meeting these requirements and finding the right balance between the demands of organised labour, the commercial marketplace and government legislation, has resulted in the operation retaining its position as the provider of choice for growing numbers of organisations across regional and sectoral divides.

During the review period, very little changed in the Outsourcing division. The year was characterised by the division metaphorically pausing to draw breath and assess itself in preparation for a concerted move forward.

Having embarked on a process of self-analysis, a criticism of the division could be that it was too inward looking, focusing on building its balance sheet and dealing with internal processes. The division was thus less successful than it could have been in leveraging marketing opportunities. However, its self-analysis process is nearing completion: it will result in a programme of greater people development, more efficiencies, and better processes to drive effectiveness and growth.

On the plus side, the division drove its cash generation extremely well and significantly reduced debtors days. It also maintained its client base in an increasingly competitive market. The division also advanced its BEE strategy with the successful conclusion and implementation of the Bathusi Staffing Services (Proprietary) Limited transaction where skills and technology transfer has proven effective.

We have a brand that is gaining awareness; and products and services that we are continually improving.

In fact, the quality of service and the product offering that the division has, are at the very top end of the value proposition; investment in the continuing development of products and services remains high; and developing staff with talent and capability is top of the agenda. Also in the year ahead, planned investment in new systems both from an office automation and IT infrastructure point of view will provide the division and the Group with greater efficiencies and capability to deliver to existing and future clients a better service than the one already experienced.

PRIMESERV COLLEGES

The Computer Training Colleges division once again had a good year with organic growth in revenue and operating profit being achieved. Year on year revenue increased by 9% from R19,6 million to R21,3 million and operating profit by 43% from R2,8 million to R3,9 million. The division is maintaining its programme of upgrading training facilities and equipment so as to ensure an ongoing improvement in the learning experience offered to learners. Continual development of course material relevant to the South African work environment has assisted in positioning this training operation for growth.

The Colleges division, which at year-end consisted of 28 colleges across the country, delivers a skills set which is in short supply in the South African economy. Colleges provides a technology-driven, sophisticated environment from which to deliver skills to largely previously disadvantaged learners and students who are coming into the job market.

Further investment is planned for the development of the Stanford Business and Computer Colleges brand through the opening of more colleges and growing the business on the basis of a value-for-money offering. The division has also reinvigorated its distance learning products with the aim of rolling these out nationally.

BLACK ECONOMIC EMPOWERMENT

The Group achieved its primary BEE objectives as part of its ongoing empowerment and transformation process during the period under review.

This included the finalisation of the sale of the business of the Secunda Branch of Primeserv ABC Recruitment (Proprietary) Limited and its related assets and liabilities to Bathusi, a Black owned company in which Primeserv holds a significant minority interest.

A second key BEE transaction, (finalised post the review period) involved the transfer of a 25,8% interest in several Group operating subsidiaries to BEE entities including the Lidonga Group, a broad-based woman's BEE investment company (7,9%); Kgorong Investment Holdings (Proprietary) Limited (7,9%); Siyakhula Trust, a Section 18A social responsibility trust, (2%); and BEE management and staff (8%).

An unusual aspect of both these transactions is that they have been structured in a way that does not require external funding, while simultaneously ensuring Primeserv is fairly compensated for its value contribution.

A third BEE project is Empvest Outsourcing, the Group's joint venture with the South Cape Empowerment Network (Proprietary) Limited which holds 51,8% and Primserv the remaining 48,2%. Empvest has been particularly successful in the Eastern Cape and is well positioned as the key HR staff outsourcing and wage bureau supplier to Coega and other major players in the region.

The HR Solutions division also formed a strategic alliance with Ikhaya Fundisa, a provider of technical training. The venture utilises Ikhaya Fundisa's high quality training centre in combination with Primeserv's market leading products and training courses to deliver customised technical training to industry.

Building on these initiatives, the Group will continue to seek ways to promote transformation.

CORPORATE SOCIAL INVESTMENT (CSI)

The Primeserv Group, cognisant of its responsibilities as a good corporate citizen, is involved in a variety of CSI initiatives which we believe will contribute towards the sustainable upliftment of the disadvantaged sectors of our community. With the future of our country dependant on the youth of today, the bulk of the Group's CSI efforts are directed at this vulnerable group.

Primeserv continues to provide financial and professional support to the Siyakhula Trust, an organisation that is doing admirable work in building leadership capacity among Gauteng township and rural youth.

New initiatives in the year ahead will be directed at improving the opportunities available to youth, specifically those in the rural areas as well as those infected and orphaned through the impact of HIV/Aids.

Primeserv will work closely with NGOs to provide skills training through the training component of the HR Solutions division. This will include the provision of bursaries and subsidised computer and vocational training through the Colleges division. Several NGOs have been identified and programmes are being developed in consultation with appropriate parties to ensure maximum benefit from these initiatives is derived by those in need.

CORPORATE CITIZENSHIP

Primeserv is committed to sound corporate governance and intends, where applicable, to meet the requirements as recommended in the King II report as well as those of the JSE. Full details of the Group's corporate governance philosophy and activities can be found on pages 17 to 20 of this document.

PROSPECTS

We have a primary brand that is gaining differentiated awareness; and products and services that we are continually improving so as to position them more effectively in the market in the year ahead. This entails building on a strengthened management team and organisational infrastructure to improve the sales process and the sales infrastructure; and improve organisational capability to meet client needs and spur organic growth.

To support this further, the Group has entered into agreements resulting in a substantial commitment for the supply and installation of new digital office automation and IT systems with particular emphasis on the needs of the Outsourcing division. In addition, we are working at making Primeserv an employer of choice in order to attract and retain the best quality staff. This is being achieved by improving the work environment, internal training and ensuring opportunities for personal growth and development.

The Group remains committed to maximising organic growth whilst seeking to expand its product and service offerings. Acquisition opportunities that are in line with the Group's strategy will be sought and evaluated. Where appropriate, further BBBEE initiatives will be considered where this provides the Group with increased market opportunities. The Group anticipates an improved performance for the year ahead.

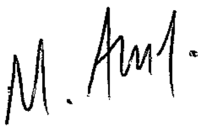
We have developed an integrated model which meets the challenging HR requirements of the South African market.

CONCLUSION

Our competitive edge is that we have developed an integrated model which meets the specific and challenging HR requirements of the South African market as it enables us to dovetail our services and solutions with our customers' business strategies.

In effect, we have a value proposition that offers the market more.

I'd like to take this opportunity to thank all our stakeholders – and particularly our management and staff – for their support in tackling the challenges we have faced, and for their energy, enthusiasm and commitment not only to turning the Group around, but also to building a strong foundation for the future.



Merrick Abel
Chief Executive Officer

14 December 2005

Corporate citizenship

CORPORATE GOVERNANCE

The Board, which subscribes to the principles of and accepts the inclusive approach to good corporate governance, is committed to the values of transparency, integrity, responsibility and accountability. The Board and individual directors 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 observed, where possible, and specifically report 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 practices. This is complemented by the Primeserv Pledge, which encourages every Primeserv employee to:

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

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

THE BOARD OF DIRECTORS

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

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 6 of this annual report.

The Board ensures that there is an appropriate balance of power and authority on the Board 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. The non-executive directors provide independent judgement on issues of strategy, performance, resources, transformation, diversity, employment equity and standards of conduct. The non-executive directors take responsibility for ensuring that the Chairman encourages proper deliberation of matters requiring the Board's attention.

The Board has a Board Charter, which is available on request. The Board defines levels of materiality, reserving specific power to itself and delegating other matters with the necessary authority to management. There is a process of control that aims to assess and mitigate risks and directs the attainment of the Group's objectives. This environment sets the tone for the Group, covering ethics and values, organisational philosophy and employee competence.

The Board with management seeks to identify the key risk areas and key performance indicators for the Group, which are regularly updated and reviewed. 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 the directors may obtain independent professional advice at the Group's expense, should they deem this necessary. This enhances the Board's decision making capability and the accuracy of its reporting.

The Group has a policy, established by the Board and implemented by the Company Secretary, prohibiting dealing in securities by directors, officers and other selected employees for a designated period preceding the announcement of its financial results and in any other sensitive periods.

BOARD COMMITTEES

The Board committees have specific responsibilities, which ensure transparency and full disclosure from the Board committees to the Board, except where mandated otherwise by the Board. Board committees are subject to evaluation by the Board to ascertain their performance and effectiveness.

The principal Board committees are as follows:

The Audit, Governance and Risk Committee

The Audit and Governance Committee and the Risk Committee has been merged into a single committee. The committee in the year under review comprised 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 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: reviewing the internal control structures; the financial reporting systems; risk areas; the reliability and accuracy of the financial information provided to management and other users of financial information; whether the Group should continue to use the services of the current external auditors; any accounting or auditing concerns identified as a result of the external audit; the Group's compliance with legal and regulatory provisions; its Articles of Association; Code of Conduct; by-laws and the rules established by the Board.

Whilst 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 Committee has initiated a heat risk mapping process aimed at identifying key risk areas and key performance indicators. It aims to assess and address, *inter alia,* physical and operational risk, HR risk, technology risk, business continuity and disaster recovery, credit and market risk and compliance risk. This should assist the Board in its assessment and management of risk.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises S Klein *(Chairman)* and JM Judin. 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 to support the Group's strategic objectives, and that reward employees for their contribution to the operating and financial performance of the organisation in relation to preset performance criteria.

Remuneration for executive and non-executive directors is determined through a process of benchmarking, utilising current market information relating to remuneration and reward practices. This is supported by performance bonuses which may reach 70% of executives' basic packages. The Group's longer term incentives include the use of share options, phantom share schemes and/or share purchase schemes.

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

Details of the individual directors' remuneration are set out on page 39 of the annual report.

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 along the lines of the approach required for listed companies by the JSE. The 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 and experience and other qualities in order to assess the effectiveness of the Board, its committees and the contribution of each director. Executive directors are appointed on the basis of their skill, experience and level of contribution to, and impact on the Group's activities.

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

All directors are subject to election by shareholders and retire by staggered rotation and stand for re-election in accordance with the Company's Articles of Association. 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.

RISK MANAGEMENT

The Board sets the risk strategy, which is based on the need to identify, assess, manage and monitor 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 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 integrating them into the day-to-day activities of the Group.

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

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 annual financial statements are prepared on the going concern basis.

At the interim reporting stage, the 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 such an 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:

- Corrective action has been undertaken and the Group's combined operations are expected to be profitable in the financial year to June 2006;
- Working capital remains well controlled and receivables are of sound quality;
- The June 2006 budget reflects improved and profitable trading and financial expectations;
- 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; and
- The Group is monitoring and responding proactively to the spirit and terms of change in legislation and BEE initiatives.

Auditing and accounting

The Board is of the opinion that their auditors observe the highest level 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.

Internal control

The directors aim to ensure that internal control systems exist that 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.

Insurance

The operating assets, including various assets owned by lessors, have been insured at a replacement value of R19,4 million. The Group performs credit evaluations on its customers 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 in line with its risk averse approach to insurable matters.

RELATIONS WITH SHAREHOLDERS

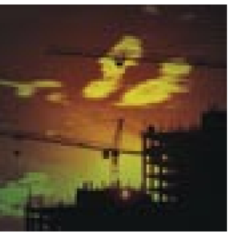
It is the Group's policy to pursue dialogue with institutional investors. Primeserv strives to ensure that information is distributed through a broad range of communication channels having regard for security and integrity, while bearing in mind the need that critical financial information reaches all shareowners 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 shareowners and relevant stakeholders, with a legitimate interest in the Group's activities, can obtain a full, fair and honest account of its performance.

SAFETY, HEALTH AND THE ENVIRONMENT (SHE)

The Board recognises its responsibility for dealing with SHE issues and is constantly reviewing and implementing, where applicable, systems of internal control to manage SHE risks.

Corporate citizenship



Safety

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

The environment

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

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. 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 interim results and from 30 June to the publication of the year-end 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.

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 so as to empower them to fulfil more responsible positions within the Group, thereby 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.

Black Economic Empowerment

Over and above the measures to facilitate empowerment through employment practices, the Group strives to make a significant contribution to BEE through its procurement and social investment prioritisation and spending. Primeserv's initiatives seek to advance historically disadvantaged South Africans economically through job creation, rural development, poverty alleviation and access to finance for the purpose of conducting business.

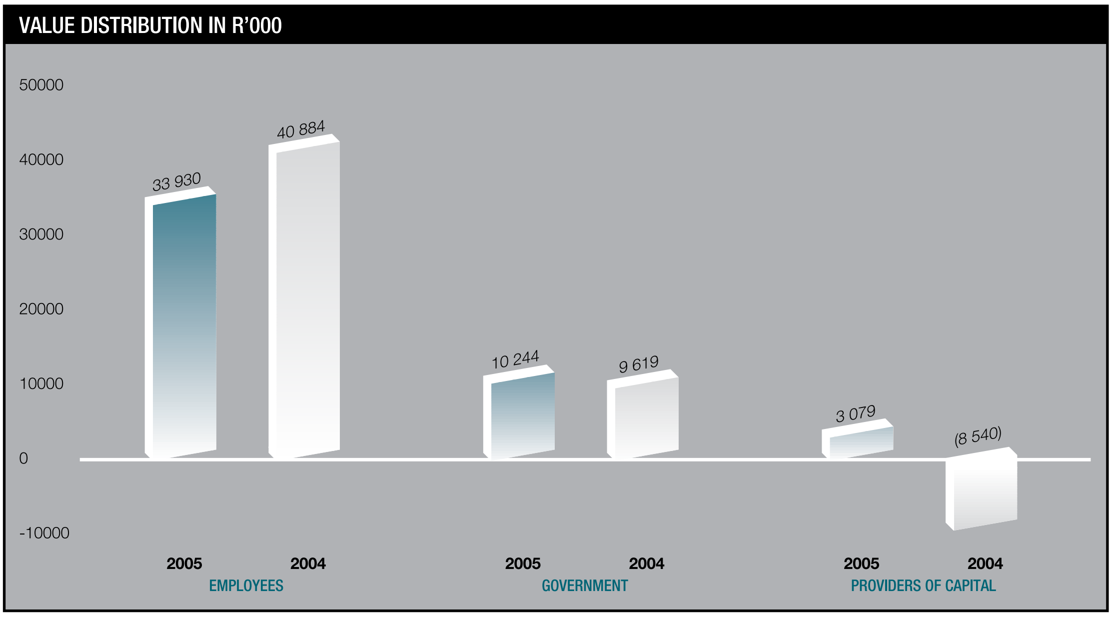
Primeserv continues to maintain a strategic alliance with Kgorong Investment Holdings (Proprietary) Limited ("Kgorong"), together with whom it identifies opportunities, develops market strategies and draws on a transfer of skills.

Primeserv has independent operational relationships with Kgorong, The Lidonga Group (a broad based woman's BEE investment company) and South Cape Empowerment Network (Proprietary) Limited. Majority black-owned empowerment entities trading as Bathusi Training (Proprietary) Limited, Bathusi Staffing Services (Proprietary) Limited and Thuso Outsourcing (Proprietary) Limited as well as Empvest Outsourcing (Proprietary) Limited have been formed. These empowerment operations provide similar services and solutions to those offered by the Primeserv divisions, thereby facilitating the transfer of skills and capacity needed to ensure the sustainable capability of each empowerment entity, so as to effectively meet the Group's commitment to transformation.

Value added statements

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

	2005		2004	
	R'000	%	R'000	%
WEALTH CREATED				
Gross revenue less cost of sales, services and administration	48 030	101,6	41 738	99,2
Net interest (expense)/income	(777)	(1,6)	325	0,8
	47 253	100,0	42 063	100,0
Distributed as follows:				
Employees				
Salaries and wages and other direct benefits	33 930	71,8	40 984	97,5
Government	10 244	21,7	9 619	22,8
Income tax	(716)	(1,5)	(1 410)	(3,4)
Duties, surcharges and RSC levies	1 165	2,5	1 106	2,6
Employees tax and skills development levies	9 795	20,7	9 923	23,6
Providers of capital – shareholders	3 079	6,5	(8 540)	(20,3)
Retained to finance future expansion	3 079	6,5	–	–
Utilised to finance net loss	–	–	(8 540)	(20,3)
Wealth distributed	47 253	100,0	42 063	100,0
Number of employees at year-end	369		466	



Directors’ approval and responsibility statement

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and other related information contained in the annual report. The external auditors are engaged to express an independent opinion on the annual financial statements.

To fulfil this responsibility, the Group maintains systems of internal accounting and administration controls designed to provide reasonable assurance that assets are safeguarded and transactions are executed and recorded in accordance with the Group’s policies and procedures. The controls and systems provide reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements.

Appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently wherever possible.

There is a disaster recovery process in place should an event occur where data is destroyed.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice applied consistently throughout the period and are examined by the external auditors in conformity with Statements of South African Auditing Standards.

The auditors’ report is set out on page 23.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Company or the Group will not remain going concerns in the foreseeable future based on forecasts and available cash and borrowing facilities. The financial statements support the viability of the Company and the Group.

The financial statements have been approved by the Board of directors and are signed on their behalf by:

JM Judin
Non-Executive Chairman

M Abel
Chief Executive Officer

Johannesburg
14 December 2005

Declaration by Company Secretary

I declare that, to the best of my knowledge, the Company has lodged with the Registrar of Companies all such returns as are required of a public Company in terms of the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date.

NN Rodrigues
Company Secretary

Johannesburg
14 December 2005

Independent auditors' report

TO THE MEMBERS OF PRIMESERV GROUP LIMITED

We have audited the Company and Group annual financial statements of Primeserv Group Limited set out on pages 24 to 44 for the year ended 30 June 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 30 June 2005 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

PKF (Jhb) Inc.

Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg
14 December 2005

Directors' report

NATURE OF BUSINESS

Primeserv Group Limited is an investment holding company whose trading activities are conducted through its eight subsidiary companies and three BEE companies, housed in three divisions. 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 26 to 44 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 8 to 16.

BEE TRANSACTION

The sale of the business of the Secunda Branch of Primeserv ABC Recrutiment (Proprietary) Ltd and its related assets and liabilities to Bathusi Staffing Services (Proprietary) Ltd ("Bathusi"), a Black-owned company in which the Group holds a significant minority interest, was unanimously approved by Primeserv shareholders on 28 January 2005. This transaction resulted in a capital surplus of R4,2 million. Bathusi, which was previously accounted for as a subsidiary, became an associate with effect from 29 January 2005 and was therefore deconsolidated from the Group's results.

DIVIDENDS

No dividend has been declared for the year ended 30 June 2005.

SHARE CAPITAL

There were no changes in the authorised share capital of the Company during the year under review. Changes to the issued share capital of the Company are detailed in the statements of changes in equity on page 28 and notes 15 and 16 to the financial statements.

SUBSIDIARY COMPANIES

Details of the Company's interest in its subsidiaries and associate are set out on pages 36 and 44. The contribution to the Group after tax profit by the subsidiaries and associate was R10,0 million in profits and R6,8 million in losses (2004: R15,1 million in losses and R6,2 million in profits) for 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 Friday, 28 January 2005, and registered by the Registrar of Companies ("general authority"). During the financial year under review, the Company acquired nil (2004: 3 569 113) ordinary shares on the open market.

The directors will seek shareholder 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 the 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.

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 30 June 2005, 6 558 520 (2004: 4 726 598) shares were held by the Primeserv Group Limited Share Trust for distribution to employees in terms of the scheme. At the same date, 3 117 597 (2004: 4 422 548) options have been granted to employees in terms of the rules of the share incentive scheme, leaving 1 590 923 unallocated shares as a result of employees leaving the Group. A further 1 850 000 shares were purchased on behalf of the share trust during the year. The unallocated shares, together with the purchased shares, will be re-allocated in the 2006 financial year. The impact of IFRS2 (share-based payments), and the new 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.

CE Kahan resigned as a trustee of the Primeserv Group Limited Share Trust and JM Judin was appointed as a trustee in his stead. At year-end, the trustees were awaiting the issue of letters of authority to validate the appointment.

DIRECTORATE AND SECRETARY

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

PL Gray resigned as a director on 24 August 2004.

AT McMillan was appointed as a director on 30 September 2004.

C Nkosi was appointed as a non-executive director on 30 September 2004.

NN Rodrigues was appointed as a director and Chief Financial Officer on 30 September 2004.

CS Seabrooke did not offer himself for re-election at the AGM held on 28 January 2005.

DL Rose was appointed as a non-executive director on 24 February 2005.

ER Goodman Secretarial Services CC resigned as Company Secretary on 30 September 2004 and NN Rodrigues was appointed as Company Secretary on that date.

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

Directors' report

DIRECTORS' INTERESTS

As at 30 June 2005, the aggregate direct and indirect, beneficial and non-beneficial interests of the directors in the fully paid issued share capital of the Company were:

	2005		2004	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
EXECUTIVE				
M Abel	17 713 253	–	13 598 254	–
PL Gray†	–	–	620 233	–
AT McMillan	2 426 823	–	–	–
NN Rodrigues	441 758	–	–	–
NON-EXECUTIVE				
JM Judin	781 634	–	586 634	–
S Klein	264 887	–	264 887	–
C Nkosi	–	–	–	–
DL Rose	–	–	–	–
CS Seabrooke*	–	–	–	20 015 200
DC Seaton	750 000	–	750 000	–
	22 378 355	–	15 820 008	20 015 200

†PL Gray resigned as a director on 24 August 2004.

*CS Seabrooke did not offer himself for re-election at the AGM held on 28 January 2005.

At the date of this report, M Abel has been granted 2 735 000 (2004: 2 735 000) share options. AT McMillan has been granted 200 000 (2004: 200 000) share options.

There has been no material change in the directors' interest in the issued share capital between 30 June 2005 and the date of this report.

The number of meetings attended by each of the directors of the Company during the period 1 July 2004 to 30 June 2005 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	3	3	3
AT McMillan	3	2*	n/a	n/a	n/a	n/a
C Nkosi	3	3	n/a	n/a	n/a	n/a
NN Rodrigues	3	3	2	2	n/a	n/a
DL Rose	2	2	2	2	n/a	n/a
CS Seabrooke	2	2	1	1	n/a	n/a
DC Seaton	4	4	3	3	n/a	n/a

*The Board meeting was changed to a date on which AT McMillan was not present.

EQUIPMENT AND VEHICLES

The Group acquired equipment and vehicles at a cost of R0,8 million (2004: R1,1 million) during the financial year under review. No major changes in the nature of the equipment and vehicles occurred during this year.

SUBSEQUENT EVENTS

Subsequent to the year-end, the Group has entered into agreements resulting in a substantial commitment for the supply and installation of new digital office automation and IT systems with particular emphasis on the needs of the Outsourcing division. The expenditure on the IT systems is budgeted at R1,4 million and will be partly financed through instalment sale agreements. The digital office automation will be financed through rental agreements.

An empowered transaction was advised to shareholders on 2 December 2004. This transaction was entered into between the Group and the following Black Economic Empowerment entities, namely; Kgorong Investment Holdings (Proprietary) Limited, Siyakula Trust and Lidonga Group (Proprietary) Limited. In terms of this transaction, the capital of the Group's operating subsidiaries is being restructured with the issue of preference shares to Primeserv Group Limited and a 25,8% interest in the ordinary shares of Primeserv Employee Solutions (Proprietary) Limited, Primeserv ABC Recruitment (Proprietary) Limited and Primeserv Corporate Solutions (Proprietary) Limited are being disposed of to the Black Economic Empowerment entities at nominal value, which is also the carrying value. Subsequent to the year-end, the agreements relating to this transaction have now been concluded and signed by the relevant parties.

Income statements

FOR THE YEAR ENDED 30 JUNE 2005		GROUP		COMPANY	
	Notes	2005 R'000	2004 R'000	2005 R'000	2004 R'000
Revenue*		374 641	397 244	32	452
– sales		374 641	395 989	32	452
– interest received		–	1 255	–	–
Net operating (costs)/income		(372 466)	(394 842)	34	(934)
Exceptional debt provisions	1	–	(5 875)	–	–
Operating profit/(loss)		2 175	(3 473)	66	(482)
Dividend received		–	–	–	661
Interest received		927	3 240	181	882
Interest paid		(1 704)	(2 915)	(40)	(108)
Capital surplus on sale of business	10	4 234	–	–	–
Share of impairment of goodwill in associate	10	(1 558)	–	–	–
Share of profits from associate	10	44	–	–	–
Net profit/(loss) before other exceptional items		4 118	(3 148)	207	953
Other exceptional items	1	(1 500)	(6 800)	–	–
Net profit/(loss) before taxation	2	2 618	(9 948)	207	953
Taxation	3	716	1 410	(111)	19
Net profit/(loss) after taxation		3 334	(8 538)	96	972
Minority shareholders' interest		(255)	(2)	–	–
Net profit/(loss) for the year attributable to shareholders		3 079	(8 540)	96	972
Weighted average number of shares ('000)	4	115 766	117 123		
Diluted weighted average number of shares ('000)	4	117 179	118 744		
Earnings/(loss) per share (cents)		2,66	(7,29)		
Diluted earnings/(loss) per share (cents)		2,63	(7,19)		
Headline earnings/(loss) per share (cents)		0,26	(7,31)		
Diluted headline earnings/(loss) per share (cents)		0,26	(7,21)		

*Excluded from revenue is R24,7 million as a result of the deconsolidation of the Outsourcing division's Secunda branch and Bathusi Staffing Services (Proprietary) Ltd from 29 January 2005 and since accounted for as an associate (Note 10).

Balance sheets

AS AT 30 JUNE 2005	Notes	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
ASSETS					
Non-current assets		19 042	14 636	1 333	1 002
Equipment and vehicles	6	2 412	3 297	264	320
Goodwill	7	576	576	–	–
Investment in subsidiaries	8	–	–	2	2
Investment and loan in associate	10	5 247	–	–	–
Long-term receivables	9	770	1 662	–	–
Deferred tax asset	11	10 037	9 101	26	10
Advance to share trust	12	–	–	1 041	670
Current assets		47 346	60 369	7 861	3 117
Inventories		979	619	328	250
Trade receivables	13	32 419	47 502	–	36
Other receivables	14	2 170	3 196	15	51
Taxation receivable		173	–	–	–
Cash at bank		11 605	9 052	7 518	2 780
Total assets		66 388	75 005	9 194	4 119
EQUITY AND LIABILITIES					
Capital and reserves		39 336	36 627	446	350
Share capital	15	1 321	1 321	1 321	1 321
Share premium	16	1 351	1 351	1 351	1 351
Distributable reserves/(accumulated loss)		40 716	37 637	(2 226)	(2 322)
Treasury shares	17	(2 215)	(2 215)	–	–
Share trust shares	18	(1 837)	(1 467)	–	–
Minority interest		61	4	–	–
Non-current liabilities		382	1 300	6 055	1 926
Long-term interest-bearing borrowings	19	382	1 300	–	–
Subsidiary company loans	8	–	–	6 055	1 926
Current liabilities		26 609	37 074	2 693	1 843
Trade and other payables	20	19 818	26 334	2 653	1 843
Short-term interest-bearing borrowings	21	190	205	–	–
Taxation		51	495	40	–
Bank borrowings	22	6 550	10 040	–	–
Total equity and liabilities		66 388	75 005	9 194	4 119
Number of shares in issue at year-end ('000) (net of treasury and share trust shares)		114 859	116 691		
Net asset value per share (cents) (capital and reserves divided by number of shares in issue at year end)		34	31		

Statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2005		GROUP		COMPANY	
		2005	2004	2005	2004
	Notes	R'000	R'000	R'000	R'000
Share capital		1 321	1 321	1 321	1 321
Share premium		1 351	1 351	1 351	1 351
Distributable reserves/(accumulated loss)		40 716	37 637	(2 226)	(2 322)
Balance at beginning of year as previously stated		37 637	45 988	(2 322)	(2 634)
Prior year adjustment – share trust accumulated profits	5.1	–	771	–	–
Balance at beginning of year restated		37 637	46 759	(2 322)	(2 634)
Net profit/(loss) for the year		3 079	(8 540)	96	972
Dividend paid		–	(582)	–	(660)
Treasury shares	17	(2 215)	(2 215)	–	–
Share trust shares	18	(1 837)	(1 467)	–	–
		39 336	36 627	446	350

Cash flow statements

FOR THE YEAR ENDED 30 JUNE 2005		GROUP		COMPANY	
	Notes	2005 R'000	2004 R'000	2005 R'000	2004 R'000
Cash flows from operating activities		6 434	6 605	1 051	(463)
Net profit/(loss) before taxation		2 618	(9 948)	207	953
Adjustments		1 732	14 514	(16)	(1 288)
– net interest paid/(received)		777	(325)	(141)	(774)
– dividend received		–	–	–	(661)
– non-cash flow items		(535)	12 613	(12)	–
– depreciation		1 490	2 226	137	147
Operating income before working capital changes		4 350	4 566	191	(335)
Working capital changes		3 525	2 570	806	(820)
– (increase)/decrease in inventories		(359)	321	(78)	(250)
– decrease in trade and other receivables		7 626	8 724	36	470
– (decrease)/increase in trade and other payables		(3 742)	(6 475)	848	(1 040)
Cash generated from/(utilised in) operations		7 875	7 136	997	(1 155)
Net interest (paid)/received		(777)	325	141	774
Net dividend (paid)/received		–	(582)	–	1
Taxation paid	A	(664)	(274)	(87)	(83)
Cash flows from investing activities		(7)	(431)	3 687	3 925
Purchase of equipment and vehicles to maintain operations		(794)	(1 074)	(85)	(57)
Proceeds on disposal of equipment and vehicles		266	440	14	–
Decrease in long-term receivables		891	947	–	–
Proceeds on disposal of branch of subsidiary	B	–	–	–	–
Loan to share trust		–	–	(372)	69
Repurchase of securities		(374)	(787)	–	–
Issue of shares from share trust		4	43	–	–
Loans from subsidiaries		–	–	4 130	3 913
Cash flows from financing activities		(369)	59	–	–
(Repayment of)/proceeds from long-term borrowings		(369)	59	–	–
Net increase in cash at bank and reduction of borrowings		6 058	6 233	4 738	3 462
Borrowings net of cash at bank at beginning of year		(1 193)	(7 426)	2 780	(682)
Cash at bank net of borrowings at end of year	C	4 865	(1 193)	7 518	2 780

Notes to the cash flow statements

FOR THE YEAR ENDED 30 JUNE 2005		GROUP		COMPANY	
	Notes	2005 R'000	2004 R'000	2005 R'000	2004 R'000
A. TAXATION PAID					
Amount unpaid at beginning of year		(495)	(642)	–	–
Amount charged to the income statement		(220)	(127)	(127)	(83)
Amount unpaid at end of year		51	495	40	–
		(664)	(274)	(87)	(83)
B. PROCEEDS ON DISPOSAL OF BRANCH OF SUBSIDIARY					
Vehicles and equipment		61	–	–	–
Trade and other receivables		8 555	–	–	–
Goodwill		8 339	–	–	–
Trade and other payables		(6 252)	–	–	–
		10 703	–	–	–
Funded by:					
Loan		(6 000)	–	–	–
Bank overdraft		(4 703)	–	–	–
Net proceeds		–	–	–	–
C. CASH AT BANK AND BORROWINGS AT YEAR END					
Cash at bank		11 605	9 052	7 518	2 780
Short-term borrowings		(190)	(205)	–	–
Bank borrowings		(6 550)	(10 040)	–	–
		4 865	(1 193)	7 518	2 780
Cash at bank and borrowings are comprised as follows:					
South African Rand		4 809	(3 088)	7 471	2 733
Foreign currencies		56	1 895	47	47
		4 865	(1 193)	7 518	2 780

Summary of accounting policies

The annual financial statements are prepared on the historical cost basis, except for certain financial instruments which are carried at fair value, and incorporate the following principal accounting policies, which comply with South African Statements of Generally Accepted Accounting Practice ("SA GAAP"). They have been prepared on a basis consistent with the prior year except for the change in the accounting policy with regard to the amortisation of goodwill in accordance with AC140, Business Combinations.

ASSOCIATE COMPANIES

Associate companies are those entities which are not subsidiaries or joint ventures, in which the Group has the ability to exercise a significant influence and holds a long-term equity interest.

Associate companies are accounted for on the equity method. Equity accounted income which is included in the carrying value of the investment represents the Group's proportionate share of associate companies post acquisition retained income after accounting for dividends payable by those associates. Any difference between the cost of acquisition and the Group's share of net identifiable assets at acquisition, fairly valued, is recognised and treated according to the Group's accounting policy for goodwill or negative goodwill.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of the Company and all its subsidiaries controlled by the Company up to 30 June each year as well as the Primeserv Group Share Trust. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The results of any subsidiaries acquired or disposed of during the period are included from the effective dates of acquisition and up to the effective dates of disposal. All unrealised intercompany profits or losses and transactions are eliminated. Investments in subsidiaries are carried at cost in the Company's separate financial statements.

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.

BORROWING COSTS

All borrowing costs are charged to income in the period in which they are incurred.

EMPLOYEE BENEFIT PLANS

The shares held by the Primeserv Group Share Trust for the benefit of employees, are presented as a deduction from equity.

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 the book values to 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% – 33,3%

FINANCE AGREEMENTS

Assets held under finance agreements are capitalised. At the commencement of the agreement, the cost of the asset is capitalised and the equivalent amount is shown as a liability to the financier. Finance charges are written off over the period of the agreement based on the effective rate of interest.

FINANCIAL INSTRUMENTS

Measurement

Financial instruments are recognised at the date the Group becomes party to the contractual arrangement and are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

Trade and other receivables

Trade receivables originated by the Group are stated at cost less provision for doubtful debts. Other receivables are stated at amortised cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rate at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Gains and losses on subsequent measurements

Gains and losses from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss in the period in which the change arises.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of the transactions. Balances outstanding on foreign transactions 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.

Summary of accounting policies

INTANGIBLE ASSETS

Goodwill

The Group has changed its accounting policy with regard to the amortisation of goodwill. Goodwill relating to acquisitions after 31 March 2004 and existing goodwill carried in the balance sheet is no longer amortised but is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

IMPAIRMENT

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

INVENTORIES

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

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

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.

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.

SEGMENTAL REPORTING

Segment accounting policies are consistent with those adopted for the preparation of the financial statements of the consolidated Group. The basis for reporting segment information is business segments and is consistent with internal reporting for management purposes, as well as the source and nature of business risks and returns.

TAXATION

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

Deferred tax is provided at legislated rates using the balance sheet liability method. Full provision is made for all temporary differences between the tax base of an asset or liability and its balance sheet carrying amount.

Assets are not raised in respect of the deferred tax on assessed losses, unless it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Secondary taxation 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.

Notes to the annual financial statements

FOR THE YEAR ENDED 30 JUNE 2005	GROUP		COMPANY	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
1. EXCEPTIONAL ITEMS				
Exceptional debt provisions	–	5 875	–	–
– Impairment of debts relating to long-standing contracts under dispute	–	5 875	–	–
Other exceptional items	1 500	6 800	–	–
– Impairment of proceeds due on disposal of South African operations	–	4 946	–	–
– Impairment of proceeds due on non-South African operations previously discontinued	–	1 854	–	–
– Provision for disputed claim with SARS	1 000	–	–	–
– Settlement of historical vendor related agreement	500	–	–	–
	1 500	12 675	–	–
2. NET PROFIT/(LOSS) BEFORE TAXATION				
Net profit/(loss) before taxation is stated after taking into account the following:				
Income				
Interest received	927	3 240	181	882
– application of AC133	244	2 538	–	–
– banks and other third parties	683	702	181	882
Management fees	–	–	5 256	6 535
Dividend received	–	–	–	661
Profit/(loss) on foreign exchange	32	(739)	34	(3)
Profit on sale of equipment and vehicles	138	140	11	–
Sundry income	5 957	7 144	2 201	179
Expenses				
Auditors' remuneration	734	809	377	355
– audit fees current year	640	689	283	235
– audit fees prior year	94	47	94	47
– fees for other services	–	73	–	73
Cost of sales	293 883	309 114	–	–
Depreciation	1 490	2 226	137	147
– computer equipment	671	971	36	33
– motor vehicles	275	329	–	–
– furniture, fittings and equipment	544	926	101	114
Interest paid	1 704	2 915	40	108
– long-term liabilities (includes effect of AC133)	(521)	129	–	–
– finance leases	72	67	–	–
– bank and other borrowings	2 153	2 719	40	108
Goodwill amortisation	–	81	–	–
Operating lease rentals	9 162	8 898	1	19
– equipment and vehicles	2 559	2 310	1	19
– premises	6 603	6 588	–	–
Retirement costs	1 245	1 179	198	222
Staff costs (includes executive directors' remuneration – refer note 23)	42 480	49 728	5 016	5 251
Directors' fees (non-executive directors)	652	163	652	163

Notes to the annual financial statements

FOR THE YEAR ENDED 30 JUNE 2005	GROUP		COMPANY	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
3. TAXATION				
SA normal taxation	(220)	(127)	(127)	(83)
– current	(138)	(40)	(127)	–
– prior year underprovision	(82)	(4)	–	–
– Secondary tax on companies (STC)	–	(83)	–	(83)
Deferred tax	936	1 537	16	102
– current	952	1 187	16	(169)
– prior year (over)/under provision	(16)	350	–	271
	716	1 410	(111)	19
	%	%	%	%
Tax rate reconciliation				
Statutory tax rate	29,0	30,0	29,0	30,0
Tax rate change	11,6	–	0,2	–
(Over)/under provision previous year	(7,4)	3,5	4,3	(28,4)
Non-deductible and other items	(76,9)	(18,5)	20,1	(12,3)
Share of associate income	10,7	–	–	–
Capital Gains Tax	5,7	–	–	–
Secondary tax on companies (STC)	–	(0,8)	–	8,7
Effective tax rate	(27,3)	14,2	53,6	(2,0)
4. EARNINGS PER SHARE				
The calculations of earnings per share; headline earnings per share, diluted earnings per share and diluted headline earnings per share are based on the following:				
Weighted average number of shares in issue ('000)	115 766	117 123	–	–
Add: shares held for options granted by share trust ('000)	1 413	1 621	–	–
Diluted number of shares in issue ('000)	117 179	118 744	–	–
Earnings /(loss)	3 079	(8 540)	–	–
Goodwill amortisation	–	81	–	–
Capital surplus on sale of business	(4 234)	–	–	–
Share of impairment of goodwill in associate subsequent to sale of business	1 558	–	–	–
After tax effect of profit on sale of assets	(98)	(98)	–	–
Headline earnings/(loss)	305	(8 557)	–	–
5. PRIOR YEAR ADJUSTMENT				
5.1 Change in accounting policy				
Impact of consolidation of share trust on opening accumulated profits	–	(771)	–	–
	–	(771)	–	–
6. EQUIPMENT AND VEHICLES				
Cost				
Computer equipment	4 733	4 930	331	312
Motor vehicles	1 553	2 253	–	–
Furniture, fittings and equipment	6 011	7 923	652	623
	12 297	15 106	983	935
Accumulated depreciation				
Computer equipment	4 018	4 134	281	278
Motor vehicles	933	1 293	–	–
Furniture, fittings and equipment	4 934	6 382	438	337
	9 885	11 809	719	615

FOR THE YEAR ENDED 30 JUNE 2005	GROUP		COMPANY	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
6. EQUIPMENT AND VEHICLES (continued)				
Net book value at end of year				
Computer equipment	715	796	50	34
Motor vehicles	620	960	–	–
Furniture, fittings and equipment	1 077	1 541	214	286
	2 412	3 297	264	320
Movement for the year				
Cost at beginning of year	15 106	19 886	935	874
Accumulated depreciation at beginning of year	(11 809)	(15 137)	(615)	(464)
Net book value at beginning of year	3 297	4 749	320	410
Additions				
Computer equipment	652	260	56	11
Motor vehicles	7	593	–	–
Furniture, fittings and equipment	135	221	28	46
	794	1 074	84	57
Depreciation				
Computer equipment	(671)	(971)	(37)	(33)
Motor vehicles	(275)	(329)	–	–
Furniture, fittings and equipment	(544)	(926)	(100)	(114)
	(1 490)	(2 226)	(137)	(147)
Disposals				
Computer equipment	(67)	(3)	(3)	–
Motor vehicles	(72)	(74)	–	–
Furniture, fittings and equipment	(50)	(223)	–	–
	(189)	(300)	(3)	–
Net book value at end of year	2 412	3 297	264	320

Motor vehicles with a book value of R629 546 (2004: R451 904) are encumbered as per note 19.

7. GOODWILL				
Cost of goodwill related to businesses acquired	810	810	–	–
Less: Accumulated goodwill amortisation	(234)	(234)	–	–
Net book value at end of year	576	576	–	–
Movement for the year				
Cost at beginning of year	810	810	–	–
Accumulated goodwill amortisation at beginning of year	(234)	(153)	–	–
Net book value at beginning of year	576	657	–	–
Goodwill amortisation	–	(81)	–	–
Net book value at end of year	576	576	–	–

The Group has changed its accounting policy with regard to the amortisation of goodwill in accordance with AC 140, Business Combinations. The Group no longer amortises goodwill and goodwill is now subject to an annual impairment test. This has resulted in amortisation of R81 000 not being charged against income in the current year. The Group's share of the impairment of goodwill in the associate amounting to R1 557 780 has been charged against income (refer note 10).

8. INVESTMENT IN SUBSIDIARIES				
Shares at cost	–	–	2	2
Loans to subsidiary companies	–	–	235 281	238 331
Loans from subsidiary companies	–	–	(4 505)	(3 426)
	–	–	230 778	234 907
Write-down of investments against share premium	–	–	(236 831)	(236 831)
	–	–	(6 053)	(1 924)

The loans are unsecured, interest-free and no fixed terms for repayment of the loans have been arranged.
Further information on the subsidiary companies is contained on page 44 of the annual financial statements.

Notes to the annual financial statements

FOR THE YEAR ENDED 30 JUNE 2005	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
9. LONG-TERM RECEIVABLES				
Receivables to be collected in excess of one year	770	1 732	–	–
Less: Fair value adjustment	–	(70)	–	–
	770	1 662	–	–
10. INVESTMENT AND LOAN IN ASSOCIATE				
Opening balance at 30 June 2004	–	–	–	–
Reversal of outside shareholders' interest on subsidiary becoming an associate	(200)	–	–	–
Loans to associate company	397	–	–	–
Net assets sold to associate company	2 330	–	–	–
Loan receivable for sale of business	4 234	–	–	–
Share of impairment of goodwill in associate	(1 558)	–	–	–
Share of profits in associate	44	–	–	–
	5 247	–	–	–
The income statement of the associate from the date it became an associate is summarised as follows:				
Income statement				
Revenue	24 676	–	–	–
Net operating costs	(24 537)	–	–	–
Operating profit	139	–	–	–
Impairment of goodwill	(3 462)	–	–	–
Net loss before tax	(3 323)	–	–	–
Taxation	(40)	–	–	–
Net loss after tax	(3 363)	–	–	–
The balance sheet of the associate at 30 June 2005 is summarised as follows:				
Balance sheet				
Vehicles and equipment	54	–	–	–
Goodwill	4 877	–	–	–
Deferred taxation	101	–	–	–
Inventory	13	–	–	–
Trade and other receivables	14 003	–	–	–
Cash	195	–	–	–
Total assets	19 243	–	–	–
Trade and other payables	(22 213)	–	–	–
Total shareholders' deficit	(2 970)	–	–	–
11. DEFERRED TAX ASSET				
Trademarks and assessable losses	8 918	8 542	–	9
Provisions	1 627	1 126	29	4
Prepayments	(66)	(141)	(3)	(3)
Deferred income	86	–	–	–
Work in progress	(386)	(361)	–	–
Capital gains tax	(149)	–	–	–
AC 133 adjustments	7	(65)	–	–
	10 037	9 101	26	10
Reconciliation between deferred tax opening and closing balance				
Deferred tax opening balance	9 101	7 564	10	(92)
Tax rate change	(303)	–	–	–
Trademarks and assessable losses	(1 255)	4 215	(9)	116
Provisions	539	(1 514)	25	(26)
Prepayments	60	264	–	12
Deferred income	87	(68)	–	–
Work in progress	(37)	111	–	–
AC 133 adjustments	70	(1 471)	–	–
Capital gains tax	(149)	–	–	–
Deferred tax – reversal of impairment reserve	1 924	–	–	–
Deferred tax asset at end of year	10 037	9 101	26	10

*Tax losses amounting to R46 836 455 (2004: R34 326 779) have not been recognised. Tax losses amounting to R29 576 993 (2004: R28 473 410) 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 30 JUNE 2005	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
12. ADVANCE TO THE SHARE TRUST				
The Company has advanced R1 040 946 (2004: R670 059) to the Primeserv Group Limited share incentive scheme for the acquisition of 6 558 520 (2004: 4 726 598) shares.	–	–	1 041	670
13. TRADE RECEIVABLES				
Trade receivables	33 101	48 487	–	36
Less: Provision for doubtful debts	(682)	(985)	–	–
	32 419	47 502	–	36
Trade receivables are encumbered as per note 22.				
14. OTHER RECEIVABLES				
Other receivables	2 195	3 337	15	51
Less: AC133 adjustment	(25)	(141)	–	–
	2 170	3 196	15	51
15. SHARE CAPITAL				
Authorised				
500 000 000 ordinary shares of 1 cent each	5 000	5 000	5 000	5 000
Issued				
132 062 743 (2004: 132 062 743) ordinary shares of 1 cent each	1 321	1 321	1 321	1 321

There are NIL (2004: NIL) shares to be issued in respect of shares outstanding in terms of the Primeserv Group Limited share incentive scheme.

Unissued shares

The unissued shares totalling 367 937 257 (2004: 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.

	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
16. SHARE PREMIUM				
Balance at beginning of year	1 351	1 351	1 351	1 351
Total share premium	1 351	1 351	1 351	1 351
17. TREASURY SHARES				
Comprise 10 645 489 (2004: 10 645 489) Primeserv Group Limited ordinary shares purchased in terms of shareholder approval obtained on 28 January 2005.	2 215	2 215	–	–
18. SHARE TRUST SHARES				
Comprises 6 558 520 (2004: 4 726 598) Primeserv Group Limited ordinary shares. The share trust has been consolidated into the Group in terms of a directive issued by the JSE Limited in February 2004.	1 837	1 467	–	–
19. LONG-TERM INTEREST-BEARING BORROWINGS				
Manpower Development Fund	–	936	–	–
Total owing	–	1 436	–	–
Fair value adjustment (AC 133)	–	(482)	–	–
Current portion included with short-term loans	–	(18)	–	–
This loan was settled in full during the year for R416 183 resulting in a net write-back of R548 647 after reversing an AC133 adjustment of R482 303.				
Finance agreements	382	364	–	–
Total owing (refer to note 29)	572	551	–	–
Current portion included with short-term loans	(190)	(187)	–	–
The loans are repayable in monthly instalments inclusive of interest, at rates varying from 9,394% to 11,5% and are secured over relevant equipment and vehicles with a book value of R629 546 (2004: R451 904).				
	382	1 300	–	–

FOR THE YEAR ENDED 30 JUNE 2005	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
19. LONG-TERM INTEREST-BEARING BORROWINGS (continued)				
Interest-bearing borrowings				
Short-term portion	190	205	–	–
Long-term portion	382	1 300	–	–
Total	572	1 505	–	–

Borrowing powers

In terms of the Company's Articles of Association, the borrowing powers of the Company are unlimited.

20. TRADE AND OTHER PAYABLES

The following provisions are included in trade and other payables:

2005 – Group Movement of provisions	Bonus R'000	Leave pay R'000	Contract employee claims R'000	Other R'000	Total R'000
Balance at beginning of year	1 540	1 291	204	–	3 035
Amounts added	4 524	6 618	154	–	11 296
Amounts used	(4 285)	(4 785)	(119)	–	(9 189)
Amounts written back	(289)	(1 017)	(136)	–	(1 442)
Balance at end of year	1 490	2 107	103	–	3 700

2004 – Group Movement of provisions	Bonus R'000	Leave pay R'000	Contract employee claims R'000	Other R'000	Total R'000
Balance at beginning of year	1 346	2 328	439	40	4 153
Amounts added	3 251	–	30	–	3 281
Amounts used	(2 469)	(176)	(215)	–	(2 860)
Amounts written back	(588)	(861)	(50)	(40)	(1 539)
Balance at end of year	1 540	1 291	204	–	3 035

FOR THE YEAR ENDED 30 JUNE 2005	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
21. SHORT-TERM INTEREST-BEARING BORROWINGS				
Short-term interest-bearing borrowings payable within one year	190	205	–	–
	190	205	–	–
22. BANK BORROWINGS				
Invoice finance The finance is secured over the book debts of Primeserv ABC Recruitment (Proprietary) Limited, Primeserv Employee Solutions (Proprietary) Limited and Bathusi Staffing Services (Proprietary) Limited, and bears interest at 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.	6 055	7 238	–	–
Bank overdraft The bank overdraft is secured over the book debts 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.	495	2 802	–	–
	6 550	10 040	–	–

Notes to the annual financial statements

FOR THE YEAR ENDED 30 JUNE 2005

	Directors' fees R'000	Basic remune-ration R'000	Allow-ances R'000	Bonuses† R'000	Share options exer-cised R'000	Retire-ment funding benefits R'000	Medical aid benefits R'000	Total 2005 R'000
23. DIRECTORS' REMUNERATION – 2005								
The remuneration paid to directors of the Company, whilst in office during the year ended 30 June 2005, can be analysed as follows:								
Executive Directors	–	3 369	403	573	–	309	45	4 699
M Abel	–	1 916	136	–	–	183	21	2 256
PL Gray*	–	163	24	–	–	15	4	206
AT McMillan**	–	708	171	553	–	60	15	1 507
NN Rodrigues**	–	582	72	20	–	51	5	730
Non–Executive Directors	575	–	–	–	–	–		575
JM Judin	140	–		–	–	–	–	140
S Klein	140	–		–	–	–	–	140
C Nkosi**	60	–		–	–	–	–	60
DL Rose****	42	–		–	–	–	–	42
CS Seabrooke***	93	–		–	–	–	–	93
DC Seaton	100	–		–	–	–	–	100
	575	3 369	403	573	–	309	45	5 274

†Bonuses paid to executive directors relate to the 2004 financial year.
There are no directors where the remaining period of the service-contract exceeds three years and the notice period exceeds three months. Further disclosure is set out in note 27.
*PL Gray resigned as director on 24 August 2004
**AT McMillan, C Nkosi and NN Rodrigues were appointed as directors on 30 September 2004.
***CS Seabrooke did not offer himself for re-election at the AGM held on 28 January 2005.
****DL Rose was appointed as director on 24 February 2005.

	Directors' fees R'000	Basic remune-ration R'000	Allow-ances R'000	Bonuses R'000	Share options exer-cised R'000	Retire-ment funding benefits R'000	Medical aid benefits R'000	Total 2004 R'000
DIRECTORS' REMUNERATION – 2004								
The remuneration paid to directors of the Company, whilst in office during the year ended 30 June 2004, can be analysed as follows:								
Executive Directors	–	2 945	311	–	104	269	76	3 705
M Abel*	–	1 739	136	–	104	164	34	2 177
PL Gray	–	1 005	160	–	–	95	38	1 298
JA Sparke**	–	201	15	–	–	10	4	230
Non–Executive Directors	215	–	–	–	–	–	–	215
JM Judin	50	–	–	–	–	–	–	50
S Klein	70	–	–	–	–	–	–	70
G Magomola	10	–	–	–	–	–	–	10
CS Seabrooke	60	–	–	–	–	–	–	60
DC Seaton	25	–	–	–	–	–	–	25
	215	2 945	311	–	104	269	76	3 920

For the year ended 30 June 2004, no bonuses were paid to the executive directors.
*M Abel exercised 450 000 share options at 6 cents per share when the open market share price was 29 cents.
**JA Sparke exercised 80 000 share options at 20 cents per share when the open market share price was 20 cents.

Notes to the annual financial statements

FOR THE YEAR ENDED 30 JUNE 2005

23. DIRECTORS' REMUNERATION (continued)

Interest of directors and employees of the company in share options	No. of options as at 30 June 2004	No. of options exercised during the year	No. of options lapsed during the year	No. of options as at 30 June 2005	Option price cents	Date from which exercisable	Expiry date
2005							
The interests 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	–	–	2 050 000	16	08/11/2000	31/05/2010
M Abel	235 000	–	–	235 000	20	05/09/2003	04/09/2013
PL Gray	235 000	–	235 000	–	20	05/09/2003	04/09/2013
PL Gray	1 000 000	–	1 000 000	–	16	10/11/2000	31/05/2010
AT McMillan	200 000	–	–	200 000	20	05/09/2003	04/09/2013
Employees	92 400	–	6 333	86 067	6	29/04/1998	28/04/2008
Employees	13 000	–	800	12 200	6	17/09/1998	16/09/2008
Employees	67 500	–	2 500	65 000	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	56 320	–	42 240	14 080	16	01/06/2000	31/05/2010
Employees	18 078	18 078	–	–	20	05/09/2003	04/09/2013
	4 422 548	18 078	1 286 873	3 117 597			

Interest of directors and employees of the company in share options	No. of options as at 30 June 2003	No. of options exercised during the year	No. of options lapsed during the year	No. of options as at 30 June 2004	Option price cents	Date from which exercisable	Expiry date
2004							
The interests of the executive directors and employees provided in the form of options are shown in the table below:							
M Abel	900 000	450 000	–	450 000	6	29/04/1998	28/04/2008
M Abel	2 050 000	–	–	2 050 000	16	08/11/2000	31/05/2010
M Abel	235 000	–	–	235 000	20	05/09/2003	04/09/2013
PL Gray	1 000 000	–	–	1 000 000	16	10/11/2000	31/05/2010
PL Gray	235 000	–	–	235 000	20	05/09/2003	04/09/2013
JA Sparke	80 000	80 000	–	–	20	05/09/2003	04/09/2013
Employees	289 350	–	196 950	92 400	6	29/04/1998	28/04/2008
Employees	24 000	–	11 000	13 000	6	17/09/1998	16/09/2008
Employees	96 000	–	28 500	67 500	6	18/10/1999	17/10/2009
Employees	3 000	–	–	3 000	6	05/01/1999	04/01/2009
Employees	4 000	–	4 000	–	6	29/01/1999	28/01/2009
Employees	6 250	–	6 250	–	6	03/03/1999	02/03/2009
Employees	6 800	–	4 550	2 250	6	05/05/1999	04/05/2009
Employees	109 120	–	52 800	56 320	16	01/06/2000	31/05/2010
Employees	218 078	–	–	218 078	20	05/09/2003	04/09/2013
	5 256 598	530 000	304 050	4 422 548			

Notes to the annual financial statements

FOR THE YEAR ENDED 30 JUNE 2005	GROUP		COMPANY	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
24. CONTINGENT LIABILITIES				
Guarantees issued by bankers to various companies and government bodies.	234	234	115	115
The Company and certain of its fellow subsidiaries have signed surety to FirstRand Bank Limited in favour of its fellow subsidiaries for debtor financing and normal banking facilities granted. The net amount outstanding in the subsidiaries in respect of these facilities at year-end is R2 654 139 (2004: R5 966 905).				

There has been an assessment issued by the South African Revenue Service (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. However, the Group has made a payment of R500 000 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. The Group has found it prudent to charge R1 000 000 against income regarding this disputed claim.

25. FINANCIAL INSTRUMENTS

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.

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.

26. 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 R1 244 846 (2004: R1 178 831) with 55% 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.

Notes to the annual financial statements

FOR THE YEAR ENDED 30 JUNE 2005

27. RELATED PARTY TRANSACTIONS

Arm's length trading transactions occur between subsidiaries and divisions within the Group companies and are reversed 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.

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 terminating on 31 July 2008 have been entered into with the executive directors M Abel, NN Rodrigues 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 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. Such shares will be regarded as scheme shares for the purposes of the Primeserv Group Share Incentive Scheme, until such time as the loan is repaid.
NN Rodrigues and AT McMillan are party to share based incentives made available through the share trust.

AT McMillan is a 50% shareholder of Matin Investments (Proprietary) Ltd which is the lessor of premises leased to the Durban branch of the Outsourcing division.

During the year, the Company paid R744 200 to TWS Consulting being a related party to DC Seaton, for consulting services rendered.

During the year, the Company paid R50 000 to Sabvest Financial Services (Proprietary) Ltd, being a related party to CS Seabrooke, for consulting services rendered.

28. CAPITAL COMMITMENTS

The Group has entered into agreements resulting in a substantial commitment for the supply and installation of new digital office automation and IT systems with particular emphasis on the needs of the Outsourcing division. The expenditure on the IT systems is budgeted to be R1 400 000 and will be partly financed by way of instalment sale agreements. The digital office automation will be financed by way of rental agreements.

FOR THE YEAR ENDED 30 JUNE 2005	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
29. OPERATING AND FINANCE LEASE COMMITMENTS				
Operating lease commitments				
Future operating lease charges for premises, vehicles and equipment				
Payable within one year				
– premises	2 253	4 983	177	703
– vehicles and equipment	2 151	1 387	–	–
	4 404	6 370	177	703
Payable two to five years				
– premises	1 125	3 451	–	181
– vehicles and equipment	2 600	2 938	–	–
	3 725	6 389	–	181
There are no lease commitments beyond the five-year period. Leases on premises are subject to escalation with renewal options at the Group's discretion.				
Finance lease commitments				
Payable within one year – vehicles	248	187	–	–
Payable two to five years – vehicles	406	475	–	–
	654	662	–	–
Prepaid finance charges	(82)	(111)	–	–
Capital amount owing	572	551	–	–
30. LONG-TERM INTEREST-BEARING COMMITMENTS				
Payable within one year	–	186	–	–
Payable two to five years	–	743	–	–
Payable after five years	–	1 657	–	–
	–	2 586	–	–
Interest included therein	–	(1 150)	–	–
Capital amount owing	–	1 436	–	–

31. SEGMENTAL ANALYSIS

2005

	Outsourcing R'000	Computer Training Colleges R'000	HR Solutions R'000	Central Services R'000	Group Consolidated R'000
Revenue	334 452	21 297	18 892	–	374 641
Operating profit/(loss)	10 733	3 931	(9 273)	(3 216)	2 175
Capital additions	283	309	117	85	794
Depreciation	482	300	570	138	1 490
Assets	51 676	3 775	7 967	2 970	66 388
Liabilities	20 172	1 184	2 944	2 691	26 991
2004					
Revenue	345 069	19 557	32 618	–	397 244
Operating profit/(loss) before exceptional debt provisions	12 529	2 755	(9 955)	(2 927)	2 402
Operating profit/(loss)	6 654	2 755	(9 955)	(2 927)	(3 473)
Capital additions	684	24	309	57	1 074
Depreciation and amortisation	608	462	1 090	147	2 307
Exceptional debt provisions	11 405	–	1 270	–	12 675
Assets	53 401	6 700	11 455	3 449	75 005
Liabilities	28 667	665	7 200	1 842	38 374

The basis upon which the business segments have been determined has not changed from the prior year.
All segments traded in South Africa during the current year.
The Outsourcing segment provides flexible staffing solutions.
The Computer Training Colleges segment provides computer literacy and vocational skills training.
The HR Solutions segment provides a comprehensive range of HR solutions and corporate and technical training services.

Details of subsidiary companies

FOR THE YEAR ENDED 30 JUNE 2005

	Country of incorporation	R	Portion held directly or indirectly by holding company %	Book value of shares at cost R	Amount owing by/(to) subsidiaries 2005 R'000	2004 R'000
Primeserv Corporate Solutions (Proprietary) Limited	South Africa	100	100	100	27 740	21 181
Primeserv Training (Proprietary) Limited	South Africa	100	100	100	39 220	43 831
Primeserv ABC Recruitment (Proprietary) Limited	South Africa	100	100	100	84 249	79 909
Primeserv Employee Solutions (Proprietary) Limited	South Africa	100	100	100	81 323	89 903
African Recruitment Manpower (Proprietary) Limited	South Africa	160	100	160	(841)	739
Primeserv Productivity Services (Proprietary) Limited	South Africa	100	100	100	2 184	2 184
Primeserv Recruitment (Proprietary) Limited	South Africa	100	100	100	(3 090)	(3 090)
Priserv (Proprietary) Limited	South Africa	100	100	100	–	–
Ibiza Trading 7 (Proprietary) Limited	South Africa	100	100	0	(243)	584
Thuso Outsourcing (Proprietary) Limited	South Africa	100	70	70	(331)	(336)
Empvest Outsourcing (Proprietary) Limited*	South Africa	1 000	48,2	482	–	–
Privest International Limited	Jersey	30	100	30	564	–
Bathusi Training (Proprietary) Limited*	South Africa	100	49	49	1	–
Bathusi Recruitment (Proprietary) Limited*	South Africa	100	49	49	–	–
Bathusi Staffing Services (Proprietary) Limited**	South Africa	100	45	45	–	–
				1 585	230 776	234 905

NOTES

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, African Recruitment Manpower (Proprietary) Limited, Privest International Limited, Empvest Outsourcing (Proprietary) Limited and Bathusi Staffing Services (Proprietary) Limited.

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

Priserv (Proprietary) Limited, Bathusi Recruitment (Proprietary) Limited and Bathusi Training (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.

**This company 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.

Market statistics

FOR THE YEAR ENDED 30 JUNE 2005	2005	2004
SECURITIES EXCHANGE PERFORMANCE		
Year-end closing market price of ordinary shares (cents)	21	29
High closing market price of ordinary shares (cents)	29	31
Low closing market price of ordinary shares (cents)	18	15
Volume of shares traded (million)	42,0	25,0
Value of shares traded (R'000)	8 987	6 004
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)	27 734	38 298
Market capitalisation at year-end excluding treasury and share trust shares (R'000)	24 120	33 840

Analysis of shareholding

AS AT 30 JUNE 2005	Number of shareholders	Number of shares held	% Share-holding
PORTFOLIO SIZE			
1 – 50 000 shares	472	3 004 262	2,3
50 001 – 500 000 shares	79	15 506 407	11,7
500 001 – 5 000 000 shares	19	25 353 548	19,2
over 5 000 000 shares	8	88 198 526	66,8
	578	132 062 743	100,0
CATEGORY			
Directors (beneficial, non-beneficial, direct and indirect) and management*	11	53 665 214	40,6
Nominee companies and schemes	12	16 531 699	12,5
Individual and other corporate bodies	555	61 865 830	46,9
	578	132 062 743	100,0
INTERESTS OF 5% OR GREATER			
M Abel		17 713 253	13,4
PIC Nominees (Proprietary) Limited		17 259 673	13,1
Trade-Off 3029 cc		16 158 745	12,2
Old Mutual Life Assurance Co SA Limited		14 918 423	11,3
Primeserv Productivity Services (Proprietary) Limited (treasury shares)		10 645 489	8,1
Primeserv Group Limited Share Trust		6 558 520	5,0
		83 254 103	63,1
SHAREHOLDER SPREAD			
Total non-public shareholders*	11	53 665 214	40,6
Public shareholders	567	78 397 529	59,4
	578	132 062 743	100,0

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

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 seventh annual general meeting of the shareholders of Primeserv Group Limited will be held at Primeserv HR Solutions, 2nd floor, Atrium Terraces, 272 Oak Avenue, Randburg, at 09:00 on Tuesday, 24 January 2006 for the following:

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

AS ORDINARY RESOLUTIONS

1. To receive and consider the Company annual financial statements and Group financial statements for the year ended 30 June 2005.
2. To confirm the appointment of the Company's auditors, PKF (Jhb) Inc.
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
   – S Klein
   – 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 advisor to and a director of The American Chamber of Commerce in South Africa. He is a director of other listed companies, Set Point Technology Holdings Limited and Nu-World Holdings Limited.

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

   Saul Klein is an Independent Non-Executive Director of Primeserv Group Limited and was appointed in March 1998, with the qualifications BA (Econ), MBA, PhD. 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 from 1996 to 2001. He has also held academic appointments at leading Universities in Canada, the USA, Singapore and Australia.

   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 Rose is an Independent Non-Executive Director of Primeserv Group Limited and was appointed in February 2005, with the qualifications B.Com, BA, CA (SA), F. INST.D. David spent 41 years with PKF (Jhb) Inc (formerly Fisher Hoffman PKF (Jhb) Inc), a major audit and accounting firm. 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 presently an Executive Director of Terra Nova Financial Services (Proprietary) Ltd (formerly International Financial Services (Proprietary) Ltd, a financial consulting and advisory company.

4. To authorise the Remuneration and Nomination Committee to confirm the remuneration of the directors for the year ended 30 June 2005, and to determine the remuneration of the directors for the year ending 30 June 2006.
5. To authorise the directors to determine the remuneration of the auditors for the year ended 30 June 2005.
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 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.

   As more than 20% (twenty percent) of the Company's issued securities are in the hands of the public, as defined by the JSE, the approval of a 75% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy at the annual general meeting is required for Ordinary Resolution Number 6 to become effective.

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 RESOLUTIONS

9. **SPECIAL RESOLUTION NUMBER 1**
Resolved that, as a general approval contemplated in terms of Sections 85(2) and 85(3) of the 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 counter party;
- 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;
- the consolidated assets of the Company, being fairly valued in accordance with Generally Accepted Accounting Practice, are in excess of the consolidated liabilities of the Company for the following year;
- the ordinary capital and reserves of the Company and the Group are adequate for the next twelve months;
- the available working capital is adequate to continue the operations of the Company and the Group in the following year;
- 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; 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.

Notice of annual general meeting

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.

10. SPECIAL RESOLUTION NUMBER 2

Resolved that the Company amend its Articles of Association by the abrogation in their entirety of the existing Articles and the substitution in respect thereof of the Articles, a draft of which will be tabled at the meeting and initialled by the Chairman for identification purposes.

Reason for and effect of Special Resolution Number 2
The reason for and effect of Special Resolution Number 2 is to amend the Articles of Association to generally update the Articles in line with current legislation and practices.

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 6)
- Major shareholders of Primeserv (page 46)
- Directors' interests in securities (page 25)
- Share capital of Primeserv (page 37)

Material change
Other than the facts and developments as referred to on pages 24 and 25 of the annual report, 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 6 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Numbers 1 and 2 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.

Litigation statement
In terms of Section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on page 6 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 Primeserv HR Solutions, 2nd floor, Atrium Terraces, 272 Oak Avenue, Randburg, on Tuesday, 24 January 2006 at 09:00 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 authorisation 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 seventh annual general meeting. Proxy forms should be forwarded to reach the share transfer secretaries not later than 09:00 on Friday, 20 January 2006.

By order of the Board

NN Rodrigues
Company Secretary

Johannesburg
29 December 2005

PRIMESERV GROUP LIMITED
Incorporated in the Republic of South Africa
Registration number 1997/013448/06
Share code: PMV
ISIN: ZAE000039277
http://www.primeserv.co.za
email: productivity@primeserv.co.za

SHARE TRANSFER SECRETARIES
Computershare Investor Services 2004
(Proprietary) Limited
70 Marshall Street Marshalltown 2001
PO Box 61051, Marshalltown 2107

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 • 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 (PP) • Peter Adendorff Associates • Phenix • Select Personnel • Selected Manpower Services (SMS) • Stafflink • Stanford Business College • Thami • VE Training • Working World

Shareholders' diary

FINANCIAL YEAR END	30 June 2005
REPORTS ON PROFIT STATEMENTS AND MEETINGS	
Reviewed results published	September 2005
Annual report published	December 2005
Annual general meeting	24 January 2006
NEXT FINANCIAL YEAR END	30 June 2006
REPORTS ON PROFIT STATEMENTS AND MEETINGS	
Half-year interim report to be published	March 2006
Reviewed results to be published	September 2006
Annual report to be published	October 2006
Annual general meeting	January 2007

Dates subject to change

Form of proxy

PRIMESERV GROUP LIMITED

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

For the use by certificated or "own name" dematerialised shareholders of Primeserv for the seventh annual general meeting of Primeserv Group Limited to be held at Primeserv HR Solutions, 2nd Floor, Atrium Terraces, 272 Oak Avenue, Randburg at 09:00 on Tuesday, 24 January 2006 ("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 authorisation 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 terms of the agreement entered into between the shareholder and the CSDP or broker in the manner and cut-off time stipulated therein.

I/We ____
(Name/s in block letters)

being the registered holder/s of [   ] ordinary shares in Primeserv, appoint (see note 1, overleaf).

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 purpose of considering, and if deemed fit, with or without modification, ten 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 (1 vote per ordinary share)		
	For	Against	Abstain
Resolution number 1 – Adoption of annual financial statements			
Resolution number 2 – To confirm the appointment of the Company's auditors			
Resolution number 3 – To confirm the reappointment of:			
3.1 J M Judin			
3.2 S Klein			
3.3 D L 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			
Special resulution number 2 – Amendment of Articles of Association			

Signed at ______________________ on ______________________ 2005/2006

Signature ____

Assisted by me (where applicable)

NOTES TO THE PROXY FORM

1. An ordinary shareholder is entitled to appoint a proxy (who need not be a member), to attend, speak and vote at the annual general meet in his stead.
2. An ordinary shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that ordinary shareholder in the appropriate box/es provided.
3. Any alteration made to this form of proxy must be initialled.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form.
5. This form of proxy must be signed by all joint shareholders.
6. Proxy forms must be lodged with the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Marshalltown 2001 (PO Box 61051 Marshalltown 2107), to be received not later than 09:00 on Friday, 20 January 2006.
7. *If you have not dematerialised your shares or you have 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.
8. *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 authority in terms of the custody agreement entered into with the CSDP or broker.