PRIMESERV

PRIMESERV GROUP LIMITED

Annual Report 2009

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PROFILE

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

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

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

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

* *Primeserv or the Group*

FINANCIAL HIGHLIGHTS

for the year ended 31 December 2009

	2009 R'000	% change	2008 R'000
FINANCIAL RESULTS			
Revenue *	**523 501**	(3)	539 878
EBITDA	**19 142**	(19)	23 638
Operating profit	**17 484**	(20)	21 772
Attributable profit	**11 451**	(35)	17 507
Headline earnings	**11 455**	(35)	17 590
Total assets	**135 037**	(4)	138 398
Total liabilities	**60 315**	(17)	70 305
SEGMENTAL ANALYSIS			
Revenue			
Human Capital Outsourcing	**478 101**	(5)	501 715
Human Capital Development	**45 400**	19	38 163
Operating profit			
Human Capital Outsourcing	**19 214**	(31)	27 758
Human Capital Development	**2 036**	(25)	2 710

	2009	% change	2008
PERFORMANCE PER SHARE			
Headline earnings (cents)	**10,51**	(32)	15,41
Dividends to shareholders (cents) **	**3,0**	–	3,0
Net asset value per share (cents)	**71**	16	61
Closing share price (cents)	**40**	–	40
Price:earnings ratio	**3,8**	46	2,6

* *Revenue note: Excludes revenue of R55,7 million (2008: R61,5 million) from Bathusi Staffing Services (Proprietary) Limited, which was deconsolidated as a result of a B-BBEE transaction on 29 January 2005 and has since been accounted for as an associate.*

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

DIRECTORATE

J Michael Judin *
Non-Executive Chairman (63)

Dip Law

Appointed: August 1997

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

Merrick Abel
Chief Executive Officer (50)

BA (Hons), MBA

Appointed: August 1997

Director of numerous Primeserv subsidiaries. Since founding the Group in 1997 Merrick has served as CEO and was Executive Chairman from 2000 to 2003. He has over 23 years' local and international commercial experience, particularly in the industrial and services industries.

Prof Saul Klein †*
Non-Executive Director (51)

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.

Letepe M Maisela *
Non-Executive Director (60)

BA Soc Sc

Appointed: December 2008

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

Allan T McMillan #
Executive Director (47)

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 17 years. Prior to this he was involved in the financial services sector.

David L Rose *
Non-Executive Director (68)

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

Appointed: February 2005

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

Raphael Sack
Financial Director (42)

BComm, BCompt (Hons), CA (SA)

Appointed: June 2009

Raphael has been with the Group for four years and has been a director of various of the subsidiary companies during that time. Prior to this he was the Financial Director of various other companies including Spanjaard Limited, a company also listed on the JSE.

Desmond C Seaton
Non-Executive Director (50)

BCom, LLB, Dip Tax

Appointed: August 2003

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

Cleopatra Shiceka *
Non-Executive Director (45)

BA Law, HDip Tax Law

Appointed: August 2009

Cleopatra is currently the General Counsel of Transnet Freight Rail, responsible for legal services and compliance. She previously held the same position at the Transnet National Port Authority. She currently serves as General Counsel on the Executive Board of the Union of African Railways, a specialised agency of the African Union. She also serves on a committee that advises the Executive Board of the International Association of Railways (UIC) in Paris. She is a Non-Executive Director of Gabcon. Cleopatra has significant local and international commercial and regulatory experience in the freight and logistics industry, both from a maritime and intermodal perspective. She was previously a consultant in the specialised finance department of one of South Africa's leading investment banks. Cleopatra holds a Bachelor of Arts in Law and Bachelor of Laws degrees from the University of Swaziland and a Higher Diploma in Tax Law from the University of the Witwatersrand.

\# British † American * Independent
Ages as at 12 March 2010

THE PRIMESERV Int**HR**grate™ MODEL

BACKGROUND AND CONTEXT

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

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

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

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

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

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

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

What is the Primeserv IntHRgrate™ Model?

HR ALIGNMENT WITH BUSINESS STRATEGY AND STRUCTURE

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

Key questions are:

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

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

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

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

HR PROCESSES

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

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

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

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

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

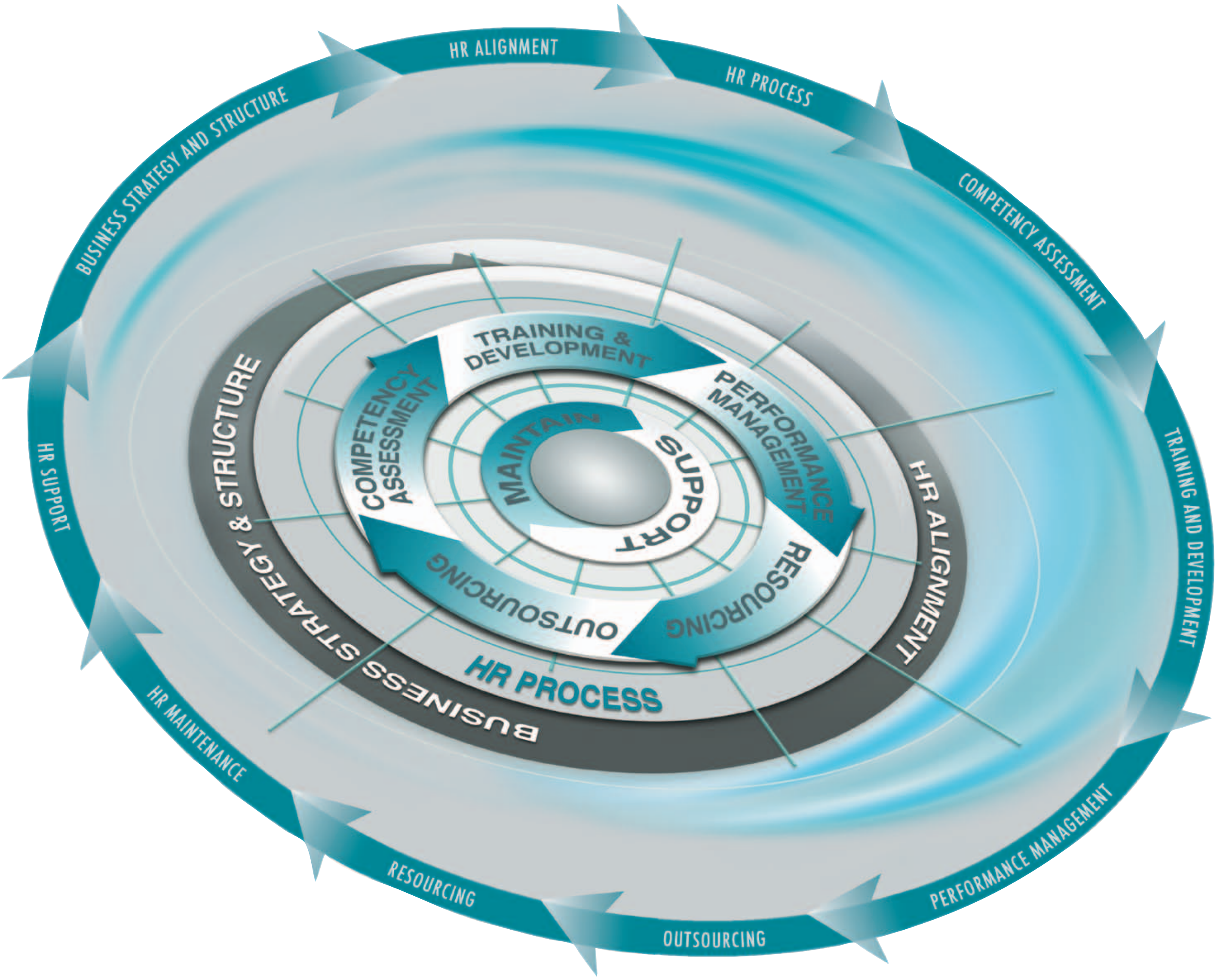
- **Resourcing**
  Profiled, assessed and competent permanent staffing is core to meeting an organisation's operational needs.

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

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

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

THE PRIMESERV IntHRgrate™ MODEL



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

NON-EXECUTIVE CHAIRMAN'S STATEMENT

J MICHAEL JUDIN
Non-Executive Chairman

In my chairman's statement last year I referred to the economic challenges confronting both the South African and global economies within which we function, particularly given our dependence on exports of mineral resources. The recession that developed affected all sectors of our society and inevitably led to a drop in demand for both products and services. Primeserv's core businesses move in tandem with these forces so it is not surprising that the results for the year are down on those for the comparable period.

Local business has been reluctant to engage in any non-discretionary expenditure including skills development and training which affects, in particular, the Group's Technical Training and Colleges units. The slowdown has led to the inevitable contraction in employment levels with the Outsourcing division bearing the brunt of this contraction, as clients reduce their number of contract and temporary staff. Many of the Outsourcing division's clients as well as prospective clients have also been reluctant to engage in labour outsourcing due to the ongoing debate surrounding the call for the banning of the temporary employment services (TES) industry.

There has been much speculation and debate in the press and other public media about the role of the atypical contract labour and TES industry within the South African economy. In line with this the Group believes that additional regulation of the industry may be necessary. Primeserv remains convinced of the positive role within the economy to be played by the TES industry. Furthermore, Primeserv is also committed to the International Labour Organisation concept of 'decent work'. The Group has been and will continue to be a pro-active participant in forums where the issues of TES have been considered.

When all is considered, the fillip provided by the infrastructure projects undertaken in anticipation of the FIFA 2010 World Cup, have greatly ameliorated the economic impact of the recession and have kept the wheels of the economy turning.

Financially, the Group continued to perform positively, with many key indicators showing improvement and especially the balance sheet which continued to strengthen. Nevertheless, I expect conditions to remain subdued during 2010 albeit that the Group remains well positioned to take full advantage of economic growth as and when it manifests. Against this background, Primeserv's growth trend in 2009 was limited. Ongoing investment in internal capabilities combined with cost containment has strengthened and refined structures.

The Group remains committed not only to the letter, but also the spirit, of the transformation imperatives mandated by government. We support these imperatives unreservedly, recognising it not only as a moral imperative, but as an important facilitator of sustainability for the country and the Group.

The Group is focusing on three particular areas:

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

I am extremely proud that Primeserv has appointed someone of Cleo Shiceka's outstanding credentials to our Board and I am certain that she will make a positive contribution to our business. Her experience both locally and abroad will provide valuable input into Group strategy and operations.

Primeserv remains optimistic about South Africa. The country's economic competitiveness has improved for two years in a row – an indication of the resilience of the country's economy in the face of the global recession of 2009.

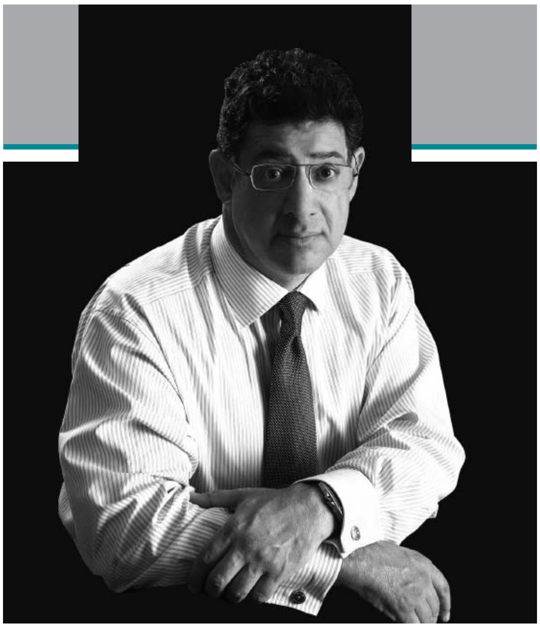
The Group thus looks forward with a view to the pragmatic decision making that is necessary during difficult trading conditions. To this end, rigorous cost controls are a key point of focus if Primeserv is to align its cost structures with business performance while maintaining its reputation for service delivery excellence and its strong market position.

The Group holds high quality relationships with clients across an extremely wide range of industrial and commercial sectors and is thus in close contact with emerging and evolving economic demand cycles and trends. Primeserv is therefore ultimately well positioned to benefit from a gradual return to normalised economic activity.

My appreciation to the Board of Directors, our team of executives and staff for their continued efforts and commitment during a difficult financial year.

J MICHAEL JUDIN
Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW



MERRICK ABEL
Chief Executive Officer

The global recession of 2009 had a marked impact on all levels of business and society. Many businesses and industries were compelled to withhold discretionary spending relating to skills development and employment. This affected the results of the Group for the year under review.

Given the severity of trading conditions, which continued to be negatively impacted by the economic slowdown, Primeserv maintained a strong market position as a human capital partner to South African companies and organisations with varied strategic and operational requirements. The strength of the Group has been particularly revealed during the period under review – one where the global economy continued to face significant structural challenges, and where the local economy was forced to come to grips with a dramatically changed perspective. Primeserv was able to hold its ground within this scenario.

The Group's competitive advantage is vested in its ongoing re-appraisals and re-evaluations, and the continuing refining of its products, services and solutions, allowing it to remain in touch with evolving market dynamics and relevant to client interests.

At the broadest level, the Group's aim is to nurture an environment and culture of doing business that encourages all staff to seek the best of themselves, and to make a positive and creative contribution to the Group as a whole, as well as to their own careers. This innately entrepreneurial culture is supported by internal training programmes able to facilitate personal growth and the ability of each individual within the Group to balance their work-life demands. As a South African company, transformation and the successful growth of an authentically empowered and diverse Group workforce are also ongoing, vital points of strategic focus.

Primeserv has adopted a modular format to its service offering, designed to allow local clients to steadily grow their own approach to the global view of human resources as an integrated operation. Globally, there is increasing recognition of the primacy of the integrated approach to human capital – many organisations now recognise the strategic and operational benefits of entrusting the full human resources chain to a professional service provider and partner. Primeserv's focus on developing a format which caters to the dynamics of the local market while ultimately being geared to global best practice has been of significant benefit to the Group during a trying period across the South African economy.

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

Primeserv holds a three-fold approach to the provision of human capital solutions; offering temporary staffing solutions as well as skills development and consulting solutions. This is one of the Group's main strengths and an important differentiator in a competitive market.

The Group's profitability is linked to its ability to service the operational and strategic imperatives of its clients, who, especially within the current negative trading context, face significant challenges in increasing the efficiencies within their businesses and their marketplace performance. Within this context, it is satisfying to note that growing numbers of our clients outsource their entire portfolio of human capital requirements to Primeserv. The Group's proven ability to apply the global philosophy of human capital integration locally has been a key factor here, along with its ability to offer a modular set of tools to those organisations seeking a more flexible approach to the management of their human capital requirements.

At the core of Primeserv's performance is its commitment to building its own specialised management and executive capability. The Group has steadily refined its products and services and supported their delivery in the marketplace with the development of strong organisational systems and structures. The Primeserv leadership team continues to show its entrepreneurial ability in this sphere, motivating employees and stimulating growth and development across the Group.

Researching and designing innovative and relevant human capital products, services and solutions, as well as developing its own human and financial potential to ensure it remains at the innovative edge of the integrated human capital landscape, are integral processes within the Group. Primeserv's growing client base bears testament to the success of its efforts thus far.

INTHRGRATE™ MODEL

The IntHRgrate™ Model is Primeserv's key market differentiator. Designed to provide a comprehensive suite of HR products, services and solutions, IntHRgrate™ is being increasingly accepted and implemented across a growing range of client industries.

Legislative obligations which are ever more complex and onerous, are driving a growing awareness across the market of the value and benefits which a model such as IntHRgrate™ can deliver to organisations. IntHRgrate's™ modular structure allows businesses to apply specific products and/or solutions at specific periods and offers a structured focal point from which they can draw on additional components as they become more relevant. Crucially, it also offers a consolidated point from which companies are able to evaluate their compliance with legislative obligations.

Due to IntHRgrate's™ modular structure, both the client and Primeserv are able to align appropriate human resources and industrial relations strategies to deliver superior productivity and performance, across all tiers of an organisation.

ECONOMIC CONTEXT

While South Africa was slightly slower in feeling the full impact of the global economic downturn, activity across the economy during the year under review clearly reflected the fundamentally inter-locked nature of the international economic system. Ultimately, while the initial impact lagged, South Africa felt the full force of the economic downturn during the review year and continues to experience uncertainties.

The country's wide ranging and significant infrastructure development programme provided a partial buffer against the downturn, while the 2010 Soccer World Cup is also likely to have a moderate stimulative effect. The spiralling cost of electricity, will, however, place intense inflationary pressures on the local economy for some time to come, and these pressures are unlikely to be successfully negated by ongoing infrastructure development programmes or the aggressive interest rate cuts recently carried out by the South African Reserve Bank. While Primeserv is both a direct and indirect beneficiary of various national capital initiatives, it will nonetheless, like most other South African companies, have to trade in a sluggish economic environment over the medium term.

Productivity and skills development remain two primary issues that will have an important bearing on the future trajectory of the local economy.

Productivity relates directly to the skills levels of the country's workforce, and skills development will thus be an important strategic marker when assessing the progression of the local economy post recession. It is crucial, in other words, that South Africa's future economic growth be achieved off a strong transformational foundation. Blue collar skills are of particular importance – it is common cause across the economy that skills urgently need to be developed and that a concerted public and private sector effort will be needed to drive this.

Success in the key area of skills development will provide an effective platform from which to deal with some of the major areas of focus within the national economy, such as workforce capability and productivity, crime and the costs to business of HIV/AIDS and tuberculosis.

SUSTAINABILITY

Corporate sustainability relies on the successful implementation of business processes and strategies that not only deliver clear, quantifiable benefits to stakeholders, but that also ensures that the business concerned is able to operate off a reliable, predictable base over the long term. A truly sustainable business not only operates profitably, but also pays attention to the larger framework in which it is operating, with specific reference to ensuring that communities within which it works enjoy a strong socio-economic fabric that operates to their benefit.

Primeserv has sought to enhance stakeholder wealth and deliver sustainable earnings – sustainability has therefore been a key strategic point within the organisation and a sustainability mind-set has guided the Group's investment and operational decision-making.

To this end, Primeserv performs an ongoing analysis of the Group's weaknesses and failures, complemented by a continuous assessment of areas of success. This dual mind-set guides the Group as it develops and implements its solutions across its operational units. In addition, Primeserv is active in assessing and monitoring the wider social and legislative environment in which it operates, and participates as actively as possible in the evolution of this environment.

TEMPORARY EMPLOYMENT SERVICES

Increased government regulation, and possible outright banning, of the contract labour market (commonly known as the TES industry) continues to be mooted – specifically due to ongoing pressure from the trade unions. The issue of contract labour, which receives regular media attention, is one of significance to Primeserv. The Group thus applies ongoing effort and attention towards ensuring that a balanced resolution to this issue can be achieved by government, labour movements and the private sector.

Primeserv is a founding member of CAPES, established in 2002. CAPES seeks to ensure that the interests of all parties and stakeholders are properly represented in macro-level TES decision-making. Primeserv is also represented on the Services SETA's Labour Recruitment Chamber Board and participates actively in the development of training initiatives to upgrade and improve the TES industry.

Albeit that the TES industry accounts for a meaningful portion of the economically active population in South Africa, it makes a significant contribution to the economy as a whole. In short, TES is a multi-billion Rand industry, providing jobs for in excess of five hundred thousand assignees on any given day, jobs that radiate out into economic support for millions of dependants.

It is also important to note that some 32% of TES assignees ultimately progress into permanent employment. TES therefore is a valuable conduit into the formal employment sector for many South Africans, acting as a channel for the unemployed, under-employed and those who struggle to obtain employment in the formal labour market due to inexperience or age.

While there has historically been scope by certain operators within the sector for mis-use or abuse of the short-term nature of TES employment, the centrality of TES to the national economy should not be disregarded.

Primeserv, through its activities with CAPES and the Labour Recruitment Chamber Board, seeks to ensure that balance can be obtained within the sector, in a manner that supports TES' contribution to the national GDP through its tax base, and its role in critical government initiatives such as ASGISA and JIPSA.

Given the TES industry's contributions to growing employment and skills in South Africa, CAPES has been proactive in countering moves to ban the TES industry, in the following ways:

- the promotion of effective self-regulation
- encouraging the industry to contribute to meaningful social responsibility initiatives
- ongoing engagement with government and unions
- highlighting the negative impact banning could have on both the labour market and the economy as a whole

To date, CAPES has published a well received Code of Professional Conduct for Labour Recruitment, and has developed positive relationships with BUSA, NEDLAC, government and unions, the ILO, numerous bargaining councils and SETAs.

Outside of the scope of TES, Primeserv is a founder member of several regulatory and representative organisations, and the Group's active participation in the work of these bodies plays a crucial role in ensuring Primeserv is well placed to not only achieve sustainable growth over the long term, but also to directly influence the positive evolution of the sector in which it operates. These organisations include:

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

FINANCIAL REVIEW

Consolidated Group revenue declined by 3% from R539,9 million to R523,5 million during the 12 months under review as businesses continued to bear the effects of the national and global economic slowdown. The operating profit for the Group declined by 20% from R21,8 million to R17,5 million and the operating margin dipped from 4,0% for the year ended 2008 to 3,3% for 2009. Net interest costs increased by R0,9 million compared to the prior year due in the main to debtors delaying payments. The Group recorded a R0,2 million share of the loss from the associate company, Bathusi Staffing Services (Pty) Limited, compared to a share of profit of R0,1 million in 2008. The overall profit before taxation was 26% lower at R15,5 million. After accounting for the minority shareholders' interest, the attributable profit was R11,5 million compared to R17,5 million in the prior year. The Group's effective tax rate has increased from 15% for 2008 to 24% for 2009 due in large measure to a number of historical trademark benefits having been exhausted.

Headline earnings per share declined by 32% from 15,41 cents per share to 10,51 cents per share. The dividend attributable to the year was maintained at 3 cents per share.

Partnering with clients in identifying and developing HR strategies and processes which contribute to the achievement of their business strategies

The Group's balance sheet has continued to strengthen with net asset value per share increasing by 16% from 61 cents per share to 71 cents per share. Working capital invested in trade receivables declined from R92,0 million to R78,9 million during the year, a positive improvement of 14%. Net gearing improved from 28,8% to 2,9% with Days Sales Outstanding ("DSO") improving from 55 days at the end of 2008 to 54 days at the end of 2009. The improvement in sales in the Computer Training Colleges unit was a significant reason as to why the DSO did not decline further, given the extended learner payment cycle in the unit. The overall improvement in trade receivables outstanding led to the Group recording a positive cash inflow from operating activities of R20,5 million compared to R0,03 for the comparable period. The current ratio improved by 14% from 1,62 to 1,85.

Effective working capital management remains a Group priority.

FINANCIAL STRATEGIES AND TARGETS

The Group's overriding strategic imperative is to achieve sustainable organic growth. Primeserv thus seeks to improve the rate of return through enhanced efficiencies, effective working capital management and by maximising return on assets under management. Primeserv continues to assess acquisition opportunities in the framework of their contribution to overall Group performance.

KEY RISKS IMPACTING ON OPERATIONAL PERFORMANCE

Interest Rate

The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates – this approach forms part of the Group's interest rate risk mitigation strategy.

Credit

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

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

Liquidity

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

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

STRATEGY

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

This objective is driven by three core strategies:

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

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

The Group is committed to:

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

Strategic Review

The South African economy faces the human capital issues common to most economies across the world. In addition, however, the country's complex socio-political make up and legacy has placed a significant and often unique set of challenges before local companies. In South Africa, skills development must take place within the wider context of the national transformation agenda and thus involves a considered effort on meeting Black Economic Empowerment targets, ensuring authentic diversity within the workplace and establishing effective transformation reporting mechanisms at all company levels.

Primeserv's primary focus on the human capital industry has informed its strategy to position all its operational divisions as market-driven and client-centric, and ultimately to offer an integrated HR value proposition able to cater to the unique South African human capital environment.

Primeserv's Int**HR**grate™ Model is the central platform supporting Primeserv HR Services, the Group's primary operating component. Int**HR**grate™ thus effectively differentiates Primeserv from other role players in the industry, via a proprietary service offering.

Given the fluid and dynamic market within which Primeserv operates, the Group follows a strategy of ongoing internal re-appraisal and evaluation. Complemented by current research and development, this ensures that the Int**HR**grate™ model remains relevant to changing client requirements. This continual refinement and improvement also ensures that new technology and global best practices are brought into the client's strategic and operational structures. Particularly important here is Primeserv's ability to customise products, services and solutions for varying business and industry sectors, as a result of the Int**HR**grate™ modular structure.

One of the most important features of Primeserv's modular HR approach is the exposure the Group gives local companies to global human capital management trends. Currently the global market is moving steadily away from limited, internally-focused HR solutions to comprehensive, outsourced HR management. This is an important development for local businesses, who need to remain competitive in the global framework and who face an urgent strategic imperative to offer nurturing and sustainable growth environments to employees. Through the access to global trends and developments that Primeserv offers, local businesses are able to stay in touch with, and cater to, fast changing employee and business needs. In addition, by partnering with a company such as Primeserv, organisations effectively free up internal resources and are able to concentrate on core activities. In a business climate featuring high degrees of price and product parity across competitors, skills shortages, economic contraction and resulting volatility of staff demands, Primeserv's tailored HR products and services are key tools enabling business success.

The Group's technical ability and its practical understanding of complex local operating and legislative structures have resulted in the development of long-term relationships with clients who entrust the majority of their human capital requirements to Primeserv – and who enjoy quantifiable benefits as a result.

The consolidation of Primeserv's market position and increased market penetration of the Int**HR**grate™ Model as a comprehensive, outsourced human capital tool, offering a significant edge to Primeserv's clients, is underpinned by investment in internal capacity, and nurturing resources effectively to support the Group's ongoing growth over the medium term. Here, the Primeserv company culture plays an important role. Primeserv continues to seek to establish itself as an employer of choice within the South African economy by offering employees at all levels within the Group the opportunity to experience a rewarding work environment that, structurally and in terms of ethos and culture, facilitates their active participation in developing their own career paths while contributing to the success of the Group.

The Group's Central Services unit performs an essential binding function in this regard, monitoring and guiding the day-to-day manifestation of Primeserv's values, principles and strategies. The Central Services unit continues to drive the organisation in terms of strategic direction and tactical business planning. In summary, Central Services' focus on investments, financial control and ongoing analysis of resource allocation, risk assessment and the productive management of operational divisions allows the Group to capitalise on market opportunities as they occur.

OPERATIONAL REVIEW

Primeserv operates according to a consolidated operational plan. This plan supports the streamlining of Group operations and allows for the unlocking of measurable efficiencies. Plan re-evaluation occurs at least once a quarter (at all levels of Group business) to optimise performance and contain costs, without impacting significantly on the quality of underlying operations.

The review of operations is outlined on pages 16 to 19.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Primeserv is committed to the principles of affirmative action defined by the country's national transformation agenda, not only legislatively, but also as a key mechanism through which local businesses are able to drive the organisational diversity that is so central to developing a competitive edge in the South African economy.

Primeserv thus not only encourages the recruitment of men and women from historically disadvantaged communities, but also seeks to uplift existing employees through promotion and/or reassignment to other positions within the Group.

The widening of the scope of empowerment, away from narrow ownership and towards a more authentically broad-based set of achievements is a central point of concern within the Group. Primeserv continues to set new targets for additional B-BBEE initiatives, most particularly, skills development, employment equity, preferential procurement, enterprise development and corporate social investment.

For the year under review, Primeserv Group Limited was recognised as a Level 3 B-BBEE contributor. This rating includes a "Value Added Supplier Procurement Recognition" at 137,5% in terms of the Broad-Based Black Economic Empowerment Act and is valid for twelve months. The Group scored between

75% and 85% on the generic scorecard indicator, making it a strong B-BBEE contributor and compliant in terms of the Act. Primeserv's rating improved from number 55 in 2008 to number 12 in the authoritative Financial Mail/Empowerdex survey in 2009.

The Group has the following B-BBEE initiatives:

- An investment in Bathusi Staffing Services (Pty) Limited, a black-owned company, in which the Group holds an interest of 45%. The company operates as a temporary employment services provider, largely in the Secunda and Rustenburg areas. This initiative has been running since 2005. In addition to the investment, the Group provides management and support services to the company. The major B-BBEE shareholder is Tsabatsaba Holdings (Pty) Limited, a black-owned company.
- An investment in Empvest Outsourcing (Pty) Limited, a black-owned company, in which the Group holds a fully diluted interest of 35,8%. The company trades as a wage bureau service provider, principally in the field of large scale capital development projects, including the Gautrain project in Gauteng and the Coega Industrial Development project in Mossel Bay. The B-BBEE majority shareholder in this company is South Cape Empowerment Network (Pty) Limited, a black-owned company and a new entrant. This initiative has operated since 2002. In addition to the investment, the Group also provides management and administrative support services to the company.
- Investments by black shareholders in Primeserv Employee Solutions (Pty) Limited, Primeserv ABC Recruitment (Pty) Limited and Primeserv Corporate Solutions (Pty) Limited. These investors collectively hold 25,8% of the ordinary shares in each of the companies. The investors include Tsabatsaba Holdings (Pty) Limited, Lidonga Group Holdings (Pty) Limited (a women's group and new entrant) and Siyakhula Trust (an NGO and new entrant). These initiatives have operated since 2002. Through these investments, the B-BBEE investors indirectly also hold interests in Empvest Outsourcing (Pty) Limited and Primeserv Staff Dynamix (Pty) Limited.

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

Committed to growing an understanding of clients' needs in a constantly changing environment

CORPORATE SOCIAL INVESTMENT

The sustainable upliftment of historically disadvantaged sectors of our community is the broad goal underpinning Primeserv's social responsibility strategy and activities. Most of the Group's CSI initiatives are aimed at the youth, who will not only define the economic future of South Africa, but who are also extremely vulnerable to the socio-economic challenges facing the country.

The Group's "PrimeKids" project coordinates several internal initiatives into a single, concentrated, national scheme that deals with some of the key issues concerning homeless and under-age children. PrimeKids provides these children with certain basic needs, as well as access to the skills (through bursaries for training provided by the Technical Training and Colleges operations) they need to become productive members of society.

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

An additional initiative has been the Group's offering of opportunities to young people in rural areas impacted by HIV/AIDS. During the review year, Primeserv sponsored the Noah (Nurturing Orphans of Aids for Humanity) Kingsway Ark with a Christmas party and improved playground facilities for the 330 children under the Ark's care. Noah has 101 Arks, which care for about 30 000 orphans and vulnerable children across KwaZulu-Natal and Gauteng. The Arks are not buildings, but networks of care. They are largely made up of elected community members and are supported and guided by Noah on a financial, organisational and skills training level. Primeserv has given a long-term commitment to leverage the Group's resources and stakeholder network in order to assist Noah in the excellent service it renders to the community.

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

CORPORATE CITIZENSHIP

The Board is committed to the principles of openness, integrity and accountability and to the provision of timeous, relevant and meaningful reporting to all stakeholders. King III became effective on 1 March 2010 and accordingly the Group is currently in the process of reviewing and evaluating its compliance with King III and a detailed programme will be adopted to ensure optimal compliance on an apply or explain basis within the timeline required by the JSE.

Salient features of the Group's corporate governance policies and procedures as well as on sustainability are recorded on pages 20 to 30 of this report.

PROSPECTS

The pace of South Africa's economic recovery remains uncertain. It is anticipated that a period of at least eighteen months of further restrictive and volatile trading conditions will prevail. Consequently, the Group remains cautious in regard to anticipated future results. Group operations remain well placed to benefit when the upturn occurs. The Group's low gearing and strong balance sheet position it well to seek out acquisitive opportunities that will broaden the business base and provide further impetus for growth.

ACKNOWLEDGEMENTS

I would like to take this opportunity to extend my appreciation to everyone involved with Primeserv during the last year – our clients, learners, suppliers, business partners and shareholders. Our quality relationships helped sustain the Group during this challenging time. To our employees – your dedication to our work and your daily commitment and professionalism are greatly valued. Lastly, to the Primeserv Board of Directors – your operational and strategic insight and passion for the business strengthen the platform from which the Group will grow.

MERRICK ABEL
Chief Executive Officer

GROUP STRUCTURE

PRIMESERV GROUP LIMITED

PRIMESERV HR SERVICES

HUMAN CAPITAL DEVELOPMENT

PRIMESERV HR SOLUTIONS

HR Consulting
Corporate Training
Technical Training

PRIMESERV TRAINING
BATHUSI HR SOLUTIONS

PRIMESERV COLLEGES

Technology-driven learning environment offering recognised computer and business courses

STANFORD
WORKING WORLD COLLEGE

HUMAN CAPITAL OUTSOURCING

PRIMESERV OUTSOURCING

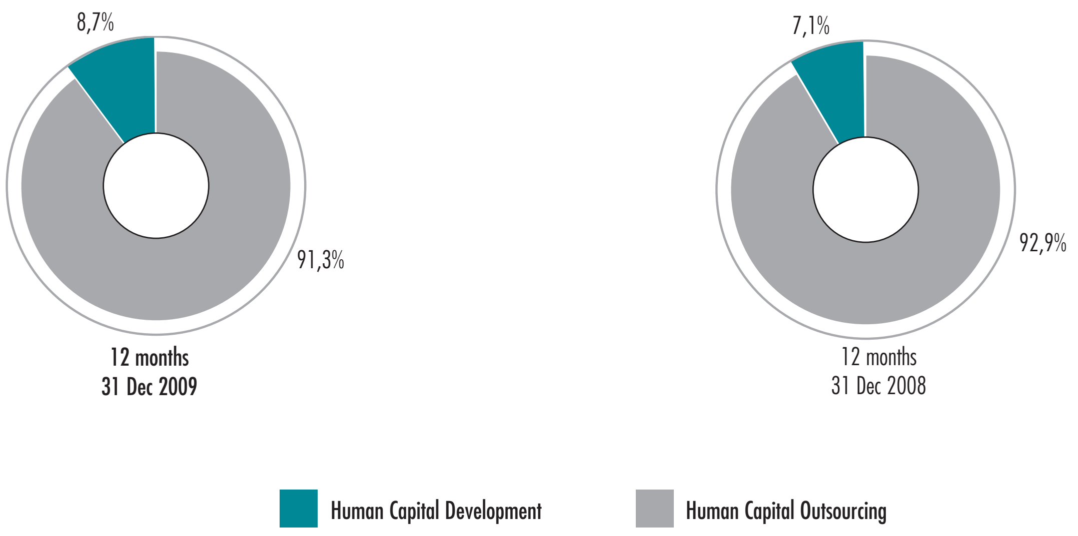
Flexible Staffing Services
Permanent Staff Resourcing
HR & IR Systems & Logistics Solutions
Mega-project HR Services
Wage Bureaus

STAFF DYNAMIX
Denverdraft
BATHUSI STAFFING SERVICES
EMPVEST OUTSOURCING

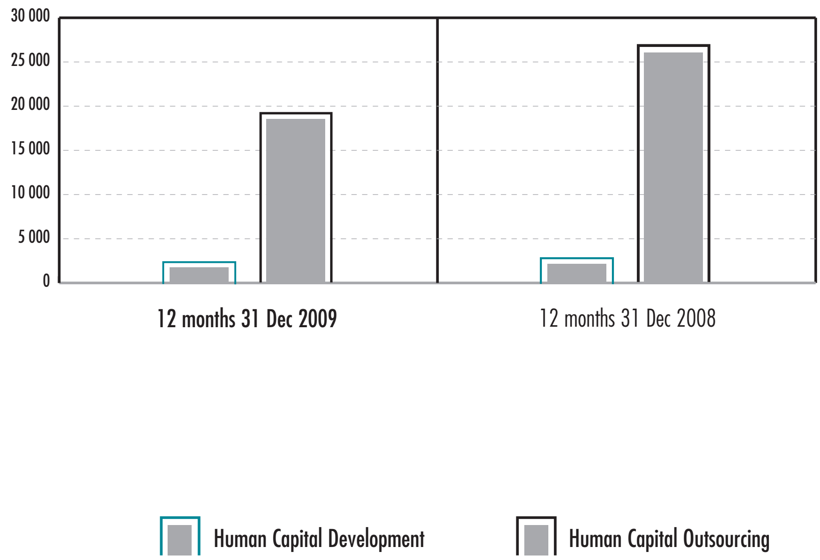
REGIONAL REPRESENTATION

GRAPHICAL REPRESENTATION OF SEGMENTAL ANALYSIS

DIVISIONAL REVENUE



DIVISIONAL OPERATING PROFIT (R'000)



REVIEW OF OPERATIONS

PRIMESERV HUMAN CAPITAL DEVELOPMENT

(Incorporating the Primeserv HR Solutions and Primeserv Colleges divisions)

The Human Capital Development segment increased revenue by 19% from R38,2 million to R45,4 million. However, due to increased bad debt adjustments made as a result of the difficulties experienced by the Computer Training Colleges' learners in meeting financial commitments, overall operating profit reduced from R2,7 million to R2,0 million.

The HR Consulting and Corporate Training unit showed positive revenue growth compared to the prior year, albeit with higher operating costs. The Technical Training unit's sales for the year decreased by 3,5% from R12,5 million to R12,0 million, although these sales were achieved with an improved gross profit rate of 68% compared to 58% in 2008. The additional margin was, however, eroded by increased operating costs, with the unit delivering a net profit before tax of R0,9 million compared to R1,1 million in the prior year.

The other pillar constituting the Human Capital Development segment, namely Primeserv Colleges, increased its revenue by 56% from R16,4 million to R25,5 million. The improvement was largely attributable to improved learner registrations. Learner debt levels increased in line with the increased registrations and management felt it prudent to increase the bad debt provision to mitigate the increased risk of non-collection which is fairly typical of this market segment.

Partnering with clients to help them meet their skills development imperatives

Primeserv HR Solutions

The HR Solutions division incorporates the HR Consulting and Corporate Training and Technical Training units. Both units made steady progress, and in general the division continues to make a positive contribution to the Group. Both units have improved their year-on-year performance and continue to provide strategic value within the framework of the delivery of Primeserv's Int**HR**grate™ Model.

HR Consulting and Corporate Training

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

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

Previous successes and the application of ongoing research and development processes have seen the unit increase its market share in the provision of essential ETDP-related and management/supervisory training. The unit delivers a full range of HR consulting and corporate training services, in line with Primeserv's Int**HR**grate™ Model. Key products and services include:

- **HR Strategy:** HR strategy, structure and profiles, HR audits, change management
- **Competency Assessment:** competency profiling, skills audits and behavioural and technical assessments
- **Training and Development:** business and entrepreneurship, office and administrative, management and supervisory and client service training
- **Performance Management:** balanced scorecards, job profiles, performance agreements and performance management training to empower line managers
- **General Consulting Services:** maintenance of and support for organisational human resource capital

Primeserv's Corporate Training unit is accredited by the ETDP SETA and has partnered with numerous client organisations in helping them meet their skills development imperatives. The unit's options for training delivery have expanded to include:

- **Extensive public course schedules, offered on a national basis:** structured for small to medium-size clients, or those unable to release large numbers of learners at one time
- **Customised in-house interventions**
- **Purchase the programme/train the trainer and/or licence agreements:** structured for clients that have built their own internal assessment and moderation capabilities

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

During the year under review, the Corporate Training unit trained 1 679 learners, 33% – personal growth/development, 24% – management/supervisory development, 19% – office/administration, 17% ETDP field and 7% – a variety of disciplines.

Technical Training

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

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

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

- **Transport related training** to include operating lift trucks, operating cranes, lifting equipment, heavy plant and equipment, driver training – learner licenses, code 8, 10, 14, anti-hijack, load securing extra heavy-duty vehicles, advanced driver training, and 4x4 off road
- **Construction related trainin**g to include carpentry, community house builder, masonry, painting, plumbing, plastering and tiling, multi-skill training and trade test preparation
- **Health and safety related training** to include health and safety, first aid, fire fighting, risk analysis and evaluation, carbon monoxide, chainsaw and felling, and brush cutter.

During the year under review, the Technical Training unit trained 9 879 learners, 56% of whom were transport-related, 35% health and safety-related and 9% construction-related. There has been an increase in health and safety training during the year. Despite the proportionately small percentage of the total number of learners for construction training, the duration of learners on site has increased to incorporate 30 and 45 day training modules for trade test preparation purposes. The Technical Training unit has successfully taken training to the learners, by erecting temporary training facilities within communities or on client sites, to conduct training.

Noteworthy projects undertaken during the year included:

- SSETA-funded projects resulted in training 230 unemployed learners in various construction trades (including trade test).
- DoL funded project resulted in training unemployed learners for Code 14 (including licensing).
- A CSI project, in conjunction with the David Rattray Foundation, resulted in training 24 unemployed learners in building disciplines, while building for a community project.
- MQA (joint venture with Umtali) voucher training for retrenched mineworkers, commenced in December 2009, resulting in learners being trained in plumbing and in health and safety. This project will continue in 2010 with training scheduled for the Burgersfort, Brits and Balfour communities.
- Technical Training Western Cape expanded into construction (plumbing) training, with a project with the City of Cape Town, for employed learners.

The unit will continue to work with Primeserv Outsourcing in developing its strategy of embarking on projects that develop scarce skills – as identified by the Services SETA and other relevant bodies. This is an important avenue through which it is able to make a measurable contribution to national transformation imperatives, specifically skills and labour requirements.

Joint ventures with B-BBEE training companies also play an important role in the unit's operations, creating access for Primeserv to facilities and equipment in key locations, without the burden of significant capital outlay. Conversely, B-BBEE partners in turn benefit from Primeserv's top quality personnel, products and services. Overall, such ventures have proved effective in enhancing the unit's flexibility and delivery capability.

Primeserv Colleges

Stanford Business and Computer Colleges and Working World Colleges brands are the core operating components of this division, a technology-driven learning environment delivering skills primarily to historically disadvantaged learners seeking access to the job market.

Primeserv Colleges experienced a poor year, attributable to less than optimal learner registration levels and the general decline across the economy, which impacted negatively on the ability of learners to meet their fee commitments.

Initiatives implemented in the previous period to mitigate the decline included the closure of selected non-performing colleges. Learners enrolled at these colleges were given the opportunity to attend other colleges within the Primeserv Colleges network or to avail themselves of distance learning options to complete their studies.

REVIEW OF OPERATIONS continued

Several colleges performed solidly during the period and the Group invested in additional infrastructure for these institutions. This was particularly the case at the division's Microsoft Academy colleges. The Colleges offer a range of training courses and programmes of varying duration. Course offerings include computer skills training for the recognised MCSE qualification. Accreditation as a Microsoft Academy has clearly enhanced Primeserv's reputation as a provider of quality learning.

In addition to numerous IT courses, the Colleges unit also offers business-related courses and secretarial and call centre training, many of which have been accredited by the London Chamber of Commerce and Industry as well as by South African accreditation authorities.

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

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

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

PRIMESERV HUMAN CAPITAL OUTSOURCING

(Incorporating the Primeserv Outsourcing division)

Primeserv Outsourcing

The division includes the Group's:

- flexible and contract staffing offerings
- niche permanent resourcing unit
- mega-project wage bureaus
- HR and IR support services
- HR logistics solutions

The logistics, warehousing, construction and industrial flexible staffing units continued to experience depressed trading conditions. The "white-collar" professional draughting and engineering staffing units have been particularly affected by the curbing of large-scale mining and engineering projects. The Denverdraft business has contributed to revenue for the full year (2008: five months). This business, in line with its industry segment, has a low gross margin leading to a reduction in overall gross margin for the division. The mega-project wage bureaus continued to deliver a solid performance due to their involvement in infrastructure projects.

REVIEW OF OPERATIONS continued

Revenue in the division declined by 5% from R501,7 million to R478,1 million with operating profit down by 31% from R27,8 million to R19,2 million. Debtors' days in the division improved marginally from 52 days to 51 days, which is less than optimal, but understandable, given prevailing economic conditions.

The outsourcing component of the Bathusi operation, which specialises in the provision of flexible staffing to the petrochemical, mining and allied industries, grew its revenue. This revenue was deconsolidated from the Group's results as a result of the B-BBEE transaction, concluded in January 2005.

The Outsourcing division, together with the Group's other HR Services divisions, continues to seek to develop solutions able to effectively address limitations caused by the national skills shortage. Primeserv Outsourcing adopts a two-pronged approach here, placing skilled personnel and also training people in skills critical to the growth and development of the national economy.

Primeserv Outsourcing has extensive operating experience through which it has developed specialised industry expertise in more than 20 broad industry bands, across more than 70 job categories, with up to 20 000 contract staff in the field and a substantial fully screened industry relevant database of skilled, semi-skilled, unskilled, blue-collar, white-collar and professional personnel. The screening process covers previous work experience, training, verification of documentation, equipment skills and full reference checks. Customised management and information systems enable full implementation and monitoring against performance objectives. Internal HR and IR departments support the managed staffing process.

The division currently operates throughout southern Africa, whilst still maintaining the capability to manage projects internationally.

Industries in which the unit operates are:

- Automotive
- Building and construction
- Design and draughting
- Drivers and transportation
- Engineering
- Information technology and data capture
- Maritime and harbour support
- Mining and petrochemical
- Paper and pulp
- Retail services and sales
- Telemarketing and call centres
- Tourism, hospitality and gaming
- Warehousing and distribution logistics
- Waste management

Global skills shortages have resulted in a heightened demand for improved productivity, maximum resource utilisation and, consequently, greater workplace flexibility. In South Africa, this context is further heightened by additional factors, such as an uncertain power supply, high unemployment levels and general poverty. The flexibility of the division's staffing solutions, specifically the mix of modular and integrated formats offered to clients, positions it well to meet these variable client requirements.

In addition, the division's ability to customise solutions that cater to the demand for balance between the imperatives of organised labour, the commercial marketplace and government legislation has proved important, making it a provider of choice for numerous organisations across the economic spectrum. Primeserv Outsourcing takes responsibility for:

- Legislative and statutory requirements.
- Timeous payments of statutory deductions and levies.
- Following the correct disciplinary, grievance and industrial relations procedures.
- Complying fully with the rules, regulations and procedures contained in the:
  - Labour Relations Act
  - Basic Conditions of Employment Act
  - Skills Development Act
  - Bargaining agreements

The acquisition of additional, established and reputable brands is one of the division's strategies in the flexible staff outsourcing sector, offering the means through which to provide greater market penetration in key growth areas. The strategy seeks to expand the Primeserv skills pool, creating additional resource depth within the Group.

CORPORATE GOVERNANCE

The Board and its individual directors are committed to the values of transparency, integrity, responsibility and accountability in maintaining the highest standards of corporate governance. They accept their duty to ensure that the principles set out in the King Report of Corporate Governance for South Africa – 2002 (King II) are implemented. King III became effective on 1 March 2010 and accordingly the Group is currently in the process of reviewing and evaluating its compliance with King III and a detailed programme will be adopted to ensure compliance on an apply or explain basis within the timeline required by the JSE.

The Board reports specifically on the following:

CODE OF ETHICS AND CORPORATE CONDUCT

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

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

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

THE BOARD OF DIRECTORS

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

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

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

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

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

The Board embraces the ethics of governance.

Committed to the values of transparency, integrity, responsibility and accountability in maintaining the highest standards of corporate governance

CORPORATE GOVERNANCE continued

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

The Board directs and controls the management of the Group, is responsible for strategy and fiscal policy and is involved in all material decisions affecting the Group. Full details of the Board of Directors are set out on page 3.

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

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

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

Together with management, the Board seeks to identify the Group's key risk areas and key performance indicators and updates and reviews them regularly. Full and timely information is supplied to the Board and committee members and they have unrestricted access to all Company information, records, documents and property. All directors have access to the advice and services of the Company Secretary and where they deem it necessary, directors may obtain independent professional advice at the Group's expense. This enhances the Board's decision-making capability and the accuracy of its reporting.

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

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

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

	17 Mar 2009	3 Jun 2009	2 Sep 2009	4 Nov 2009
M Abel	√	√	√	√
JM Judin	√	√	√	√
S Klein	√	√	√	√
LM Maisela	√	x	√	√
AT McMillan	√	√	√	√
DL Rose	√	√	√	√
R Sack ^	√	√	√	√
DC Seaton	√	√	√	√
C Shiceka #	n/a	n/a	√	√

^ *Attended by invitation and appointed 30 June 2009*

Appointed 21 August 2009

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

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

REPORT BY THE AUDIT, GOVERNANCE AND RISK COMMITTEE

The Committee has terms of reference set out in an Audit, Governance and Risk Committee Charter, that is complaint with applicable legislation and is available on request. The charter includes the specific requirements as set out in the Companies Act, as amended, pertaining to auditors and audit committees. Amendments to the Charter, in compliance with legislative amendments, are approved by the Board.

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

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

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

Purpose

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

The Committee is responsible for:

- developing and maintaining effective systems of internal control
- reviewing the need for and monitoring the function of an internal audit discipline
- safeguarding the Group's assets

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

Membership

The Audit, Governance and Risk Committee is currently appointed by the Board. For 2009, the Committee was chaired by an independent non-executive director, Mr DL Rose, with its other members being Prof S Klein (independent non-executive director) and Mr DC Seaton (non-executive director).

The term of the Committee is one year and its composition and chairmanship are reviewed and approved annually by the Board.

Shareholder approval of the appointment of the members of the Audit, Governance and Risk Committee will be sought at the annual general meeting to be held on Friday, 2 July 2010. The members proposed for the Audit, Governance and Risk Committee are Mr DL Rose, Prof S Klein and Mrs CS Shiceka, all of whom are independent non-executive directors with the required skills and expertise, as outlined in the King III Report on Corporate Governance.

Attendance at meetings during the year was as follows:

	16 Mar 2009	5 Aug 2009	2 Nov 2009
DL Rose	√	√	√
S Klein	√	√	√
DC Seaton	√	√	√
M Abel *	√	√	√
AT McMillan *	√	√	√
R Sack *	√	√	√

** By invitation*

Group executive directors and external auditors attend the meeting by invitation.

External audit

In terms of section 269A of the Companies Act, the Committee nominated PKF (Jhb) Inc as the independent auditor and Ben Frey, a registered independent auditor, as the designated partner, for appointment for the 2009 audit. This appointment was approved by shareholders at the annual general meeting on 24 July 2009. The Committee has satisfied itself through enquiry of the independence of the auditor as required by the Companies Act, as amended or replaced, and as per the standards stipulated by the auditing profession.

The required assurance was sought and provided by the auditor that the internal governance processes within the audit firm support and demonstrate the claim to independence.

The Committee, in consultation with the Chief Executive Officer, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2009 financial year. The budgeted fee is considered appropriate for the work that could reasonably have been foreseen at that time. The final adjusted fee was agreed on completion of the audit. Audit fees are disclosed in note 2 on page 46.

Non-audit services rendered by the auditor are governed by a formal procedure and each engagement letter for such services, where material, is reviewed and approved by the Committee.

The external auditors have unrestricted access to the Chairman of the Committee and no matters of concern were raised during the review year. The Committee meets at least once a year with the auditors without the presence of any executive directors or management.

The Committee has again nominated, for approval at the annual general meeting, PKF (Jhb) Inc, as the external auditor and Ben Frey as the designated auditor for the 2010 financial year. The Committee confirms that the auditor and designated auditor are accredited by the JSE.

Risk management

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

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

Financial Risk Management

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

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

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

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

Operational Risk Management

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

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

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

The Board, through the Audit, Governance and Risk Committee, has identified a number of matters which it believes requires monitoring and detailing to shareholders. These are summarised below.

Internal controls: The Committee remains cognisant that constant vigilance is required to ensure compliance with the various internal control procedures and processes and, more importantly, that the controls remain flexible enough to deal with evolving circumstances within a dynamic business and trading environment, but also sufficiently rigid to ensure that the specific internal control objective is achieved. This is particularly important given the impact of the global financial crisis, from which we are just now beginning to emerge, and its effect on the various stakeholders, business partners and clients.

Safeguarding of revenue collections: Given the economic slowdown and the increasing number of corporate defaults, the Group has applied an increased focus to revenue collection over the past year. The Group has two market interfaces through which it obtains revenues. Firstly, corporate customers where the majority of revenues originate from. Revenues are derived from medium to large corporate entities and parastatals. In safeguarding these revenues, the Group applies stringent credit criteria and, where possible, insures all receivables to the extent practicable through credit guarantee insurance. Where insurance at an appropriate level cannot be obtained in the ordinary course, the matter is referred to an Executive Committee which evaluates the client and the business opportunity as well as the risks inherent in the supply and either approve or disapprove the agreement with the client and set credit limits to be applied. The Group executive reports regularly to the Board, through the Audit, Governance and Risk Committee, on the status of receivables, insured cover and insurance limits in place as well as any claims in progress.

The second market interface is that with private individuals, generally from the lower income categories which form the majority of the learner population registered with the Colleges division. Given the market segment within which it operates and the social imperatives that drive the business, the admission of learners cannot be based upon an assessment of economic criteria and creditworthiness. Course fees are designed such that direct costs are recovered prior to tuition commencing and the balance of the fees are recovered over the period of the tuition. The division is, however, as part of its business model, constantly confronted with varying levels of learner non-payment. With the economic slowdown and consequential lower levels of employment and disposable income, particularly within the market sectors from which the majority of the learner population is drawn, levels of non-payment increased out of line with that experienced in prior and more economically stable years. An adjustment has accordingly been raised to reflect the current market position. The collection of receivables within the Colleges division is constantly monitored by management and additional controls and measures have been put in place to maximise recoveries and to ensure improved cost controls as well as the viability of individual College business units. Management provides regular reports to the Board, through the Audit, Governance and Risk Committee, on the status of the Colleges division's receivables.

Credit and market risk: It is a specific policy of the Outsourcing division, the largest part of Group operations, that adequate credit insurance be maintained for all customers of the division, albeit that there are certain exceptional circumstances where credit has been advanced in the absence of sufficient credit insurance. In these circumstances the Committee acknowledges the review that the executive management undertakes of these clients and the various commercial criteria assessed and considered in deciding whether credit should be extended, continued, or withdrawn. Within the other business units, dealing with corporate customers, processes are in place that assess the creditworthiness of prospective clients in the absence of credit insurance. The assessment process includes contacting trade references, obtaining bank codes as well as consideration of the nature of the client, for example, government, parastatal or private enterprise.

Information technology: The widely distributed nature of Group operations requires significant reliance on both hardware and software. The Committee takes seriously the consequences of disruptions to the information technology infrastructure and, more specifically, the impact that the loss of data may have on Group operations. The Committee has sanctioned a programme of continually upgrading and improving the hardware utilised, including centralised servers as well as network and communications infrastructure. A Disaster Recovery Plan has also been developed to mitigate against disruptions.

Risk management and the ongoing improvement in corresponding control structures remain a key focus of management in building a successful and sustainable business

Strategic and operational risks: The Group has identified as a strategic and operational risk the strong representations made by organised labour and other interested parties regarding legislative intervention within the TES industry, which could lead to a significant scaling down or even banning of the industry. The Group is strongly of the view that the TES industry has an important role to play within the South African economy, both from the perspective of a necessary and value added service to its customers as well as providing considerable and valuable employment opportunities to individuals who might, otherwise, not secure employment. The Group has participated at a senior executive level in all forums, both industry and government, established in regard to these matters. The Board has been kept informed of the current status of events in regard to these matters by means of regular report backs at Board and strategy meetings. The current view is that increased regulation and regulatory supervision will be the most likely result. Pending a definitive answer from government, the Committee believes that some risk remains.

Annual financial statements

The Audit, Governance and Risk Committee fulfilled its mandate and recommended the financial statements for the year ended 31 December 2009 for approval to the Board. The Board approved the financial statements on 12 March 2010 and the financial statements will be open for discussion at the annual general meeting.

Group financial director

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

Approval

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

Signed on behalf of the Audit, Governance and Risk Committee

DL Rose

DL ROSE
Chairman of the Audit, Governance and Risk Committee.

THE REMUNERATION AND NOMINATION COMMITTEE

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

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

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

Purpose

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

Membership

The Remuneration and Nomination Committee comprises S Klein (Chairman) and JM Judin. All members of the Committee are non-executive directors.

The Committee met twice during 2009. The Chief Executive Officer attends the Committee meetings by invitation and assists the Committee in its deliberations, except when issues relating to his own compensation are discussed. No director is involved in deciding his or her own remuneration.

The Group's auditors, PKF (Jhb) Inc, have not provided advice to the Committee. However, in their capacity as Group auditors, they perform normal audit procedures on remuneration of directors.

The Remuneration and Nomination Committee meets at least twice annually and the attendance at meetings held was as follows:

	16 Mar 2009	2 Nov 2009
S Klein	√	√
JM Judin	√	√
M Abel *	√	√

** By invitation*

Executive remuneration

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

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

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

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

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

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

External appointment
Executive directors are not permitted to hold external directorships or offices without the approval of the Board. If such approval is granted, directors may retain the fees payable from such appointments.

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

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

Details of the benefits held by executive directors under the existing share incentive scheme are reflected on page 56.

Non-executive directors

Terms of service
While shareholders appoint non-executive directors at annual general meetings, interim Board appointments may be made between annual general meetings in terms of Group policy. Such interim appointees may not serve beyond the following annual general meeting, though they may make themselves available for re-election by shareholders. Non-executive directors serve until such time as, in accordance with the Company's Articles of Association, they are required to retire by rotation, at which point they may seek re-election.

Fees
Non-executive directors are remunerated for their contribution to the Board and Board committees. Compensation for loss of office is not a contractual agreement.

The annual fees payable to non-executive directors are based on a fee for membership and, where applicable, for assignment to sub-committees. An additional fee is paid to the Chairmen of the Board, the Audit, Governance and Risk Committee, the Remuneration and Nomination Committee and the Transformation Committee. Shareholders will be requested to consider an ordinary resolution approving the non-executive directors' fees at the annual general meeting.

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

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

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

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

All directors are subject to election by shareholders, retire by staggered rotation and stand for re-election in accordance with the Company's Articles of Association. At least one-third of the directors who do not have fixed term employment contracts with the Company retire by rotation at the Company's annual general meeting.

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

Approval
This Remuneration and Nomination Committee Report has been approved by the Board of Directors of Primeserv.

Signed on behalf of the Remuneration and Nomination Committee

S KLEIN
Chairman of the Remuneration and Nomination Committee

THE TRANSFORMATION COMMITTEE

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

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

ACCOUNTABILITY AND AUDIT

Going Concern

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

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

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

- the Group's combined operations are expected to remain profitable in the financial year to December 2010
- working capital remains well controlled and receivables are of sound quality
- the Group has sufficient borrowing capacity in terms of its existing facilities
- the Group has no need to dispose of any assets or undertake a capital restructuring
- key executive management is in place and performance management processes are applied
- the Group is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business
- the Group is monitoring and responding proactively to the spirit and terms of changes in legislation and B-BBEE initiatives.

Auditing

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

Taxation

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

Internal Control

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

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

The Group has internally defined lines of accountability and delegation of authority, and makes provision for comprehensive reporting and analysis against approved standards and budgets. Compliance is tested by way of management review, internal audit check and external audit.

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

Insurance

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

Key-man policies cover 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 at least annually and, as required, in line with its risk-averse approach to insurable matters.

Insider Trading

In terms of Group policy, no Group director or employee who has inside information in respect of the Group may deal directly or indirectly in Primeserv Group Limited shares based upon such information. The Board has determined certain embargo periods during which directors and other senior management officials of the Group may not deal directly or indirectly in Primeserv Group Limited shares. These include the period from 31 December to the publication of the year-end results and from 30 June to the publication of the interim results and any period during which a transaction, which it is anticipated is reasonably likely to be concluded, is being negotiated, if the information relating thereto constitutes inside information and may be considered price-sensitive. All transactions by directors and senior management or parties connected to them that involve Primeserv shares or options must be approved by the Chairman or, in matters involving the Chairman, by the Chief Executive Officer.

Political Contributions

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

Relations with Shareholders

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

The Board accepts its duty to present a balanced and understandable assessment of the Group's position in reporting to stakeholders. Reporting addresses material matters of significant interest and concern to all stakeholders and presents a comprehensive and objective assessment of the Group so that all shareholders and relevant stakeholders with a legitimate interest in the Group's activities can obtain a full, fair and honest account of its performance.

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

Annual General Meeting

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

The Group recognises the importance of its shareholders' attendance at its annual general meeting. Detailed explanatory notes regarding the use of the forms of proxy and in relation to amendments to the Group share scheme accompany the notice of meeting.

SUSTAINABILITY REPORT

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

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

GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS

Structure

Primeserv interacts with all its stakeholders according to the principles of transparency, reliability, integrity and trust. The formal structures, systems and governance culture encompass economic, environmental and social responsibility. The corporate governance report is detailed on pages 20 to 27.

Commitments to external initiatives

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

Processes are implemented to assess, measure and manage the effectiveness and relevance of the Group's sustainability strategy

Group companies are also members of a number of industry-specific and general associations, including, but not limited to:

- CAPES
- CEA
- MEIBC
- NBCRFI
- SEIFSA

Stakeholder Engagement

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

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

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

ECONOMIC INDICATORS

The Group's financial position is outlined in the annual financial statements which are disclosed on pages 31 to 68.

SOCIAL INDICATORS

Diversity and Opportunity

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

Non-discrimination

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

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

Disciplinary Practices

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

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

Security Practices

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

Social and Transformation Issues

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

Employment Equity

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

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

Skills Development

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

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

Equity and Practices

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

Recruitment and Advertising

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

Selection Criteria and Appointments

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

Historically Disadvantaged Employees' Career Paths and Skills Development Plans

The Group's commitment to the development of all employees and providing equal opportunities in the workplace by making the best use of HR with due regard to the need for building on existing strengths and employee potential, subscribes to the following principles:

- To align Employment Equity targets with Skills Development programmes and objectives.
- To formulate personal development plans for employees from designated groups to ensure that training, development and study opportunities are being made available to further promote equity in the workforce.
- To offer a mentoring programme – this consists of a developmentally oriented relationship between a senior and junior colleague. Mentoring becomes part of the evaluation for promotion and assists in goal setting, planning and identifying of designated employees to be fast tracked.

Broad-Based Black Economic Empowerment

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

Enterprise Development

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

B-BBEE Procurement

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

Corporate Social Investment

Noah
Nurturing Orphans of AIDS for Humanity

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

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

Primeserv has concentrated on initiatives which provide opportunities to youth, particularly those in rural areas and those infected and affected by HIV/AIDS. During the review year, Primeserv sponsored the Noah (Nurturing Orphans of Aids for Humanity) Kingsway Ark with a Christmas party and improved playground facilities for the 330 children under the Ark's care. Noah has 101 Arks, which care for about 30 000 orphans and vulnerable children across KwaZulu-Natal and Gauteng. The Arks are not buildings, but networks of care. They are largely made up of elected community members and are supported and guided by Noah on a financial, organisational and skills training level.

Siyakhula Trust

Primeserv has given a long-term commitment to leverage the Group's resources and stakeholder network in order to assist Noah in the excellent service it renders to the community.

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

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

Consequently:

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

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

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

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

Product Responsibility

Advertising
Advertising is conducted through a variety of mediums by the business entities within the Group, targeting the markets and clients which are appropriate to each business unit.

The Group has no record of charges having been laid by the public or competitors regarding misleading or unfair practices or advertisements.

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

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

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

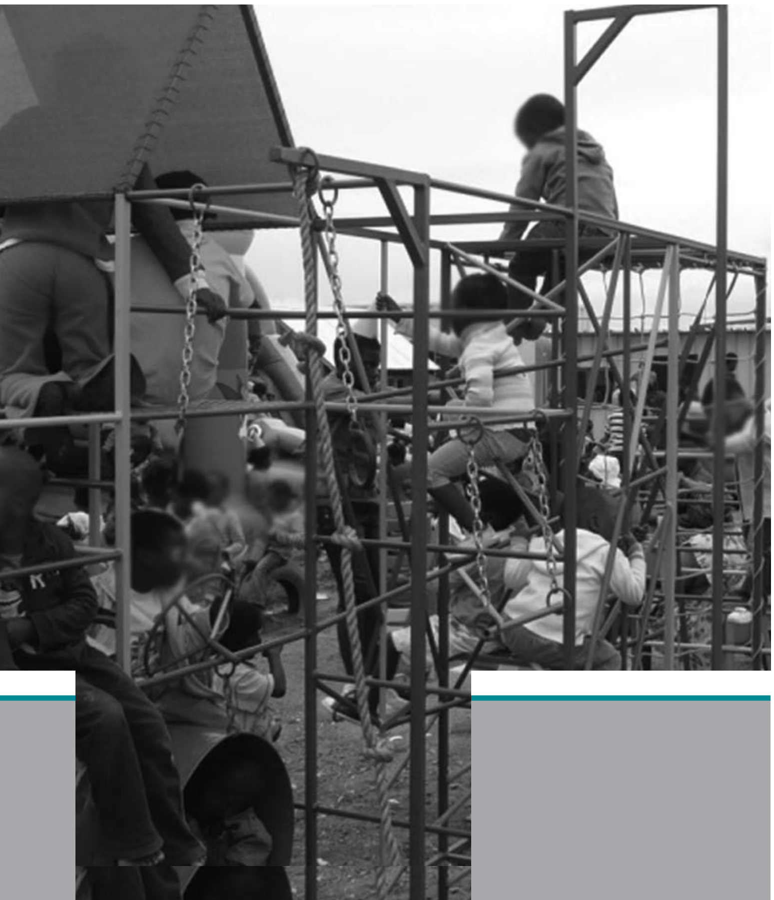
Health
The Group pays attention to the HIV/AIDS pandemic in southern Africa without disregarding other diseases that could pose a significant risk.

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

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

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

The driving policy behind Primeserv's corporate social responsibility strategy is the sustainable upliftment of the disadvantaged sectors of our community

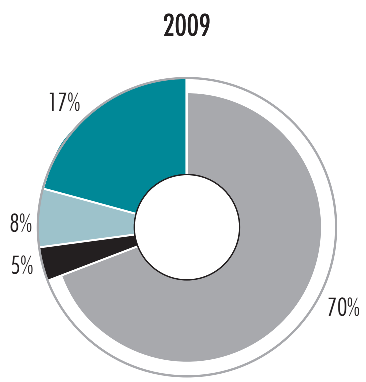


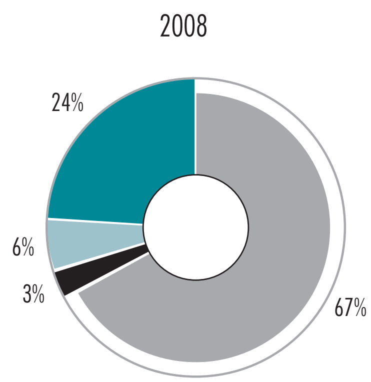
VALUE ADDED STATEMENTS

for the year ended 31 December 2009

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

	2009 R'000	%	2008 R'000	%
WEALTH CREATED				
Income from goods and services	523 501		539 878	
Less: Costs of goods and services	(450 173)		(461 050)	
Value added from operations	73 328		78 828	
Add: Interest received on investments	4 533		3 691	
Total value added	77 861	100	82 519	100
Utilised as follows:				
Employees				
Salaries and benefits	54 409	70	55 093	67
Providers of capital				
Interest on borrowings	6 259	8	4 552	6
Government – Company taxation	3 745	5	3 154	3
Current	3 268	4	873	1
Deferred	147	–	1 951	2
Secondary tax on companies	330	1	330	–
Retained for reinvestment	13 448	17	19 720	24
Depreciation	1 660	2	1 866	2
Income retained in the business	11 788	15	17 854	22
Total utilisation of value added	77 861	100	82 519	100





Employees
Government
Providers of capital
Retained for reinvestment

DIRECTORS' APPROVAL AND RESPONSIBILITY STATEMENT

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

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

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

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

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

The financial statements were approved by the Board of Directors on 12 March 2010 and signed on its behalf by:

JM JUDIN
Non-Executive Chairman

M ABEL
Chief Executive Officer

Johannesburg
12 March 2010

DECLARATION BY COMPANY SECRETARY

For the year ended 31 December 2009 the Company has, to the best of my knowledge, lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act (61 of 1973), as amended, and that all such returns are true, correct and up to date.

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

Johannesburg
12 March 2010

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PRIMESERV GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements and Group financial statements of Primeserv Group Limited, which comprise the directors' report, the balance sheet as at 31 December 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended of the Company and the Group, and a summary of significant accounting policies and other explanatory notes as set out on pages 34 to 68.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements and Group financial statements present fairly, in all material respects, the financial position of Primeserv Group Limited as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

PKF (Jhb) Inc.

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

per: Ben Frey
Director

Johannesburg
12 March 2010

DIRECTORS' REPORT

for the year ended 31 December 2009

NATURE OF BUSINESS

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

FINANCIAL RESULTS

The financial results of the Company and of the Group are set out on pages 36 to 68 of this report. A review of the Group's results and performance of the business units is contained in the Chief Executive Officer's review on pages 7 to 13 and in the Review of Operations on pages 16 to 19.

SHARE CAPITAL

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

REPURCHASE OF SECURITIES

A general authority to repurchase further ordinary shares in the Company was granted in terms of a special resolution passed by the Company's shareholders on Friday, 24 July 2009, and registered by the Registrar of Companies ("general authority"). During the financial year under review, the Company acquired nil (2008: nil) ordinary shares on the open market.

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

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

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

BUSINESS COMBINATIONS

Employee share incentive scheme

The total number of shares, which may be purchased and/or in terms of which options may be granted, is equivalent to 20% of the issued share capital of the Company. At 31 December 2009, 15 962 247 (2008: 10 608 035) shares were held by the Primeserv Group Limited Share Trust for distribution to employees in terms of the scheme. At the same date, 6 103 189 (2008: 10 612 689) options have been granted to employees in terms of the rules of the share incentive scheme, leaving a surplus of 9 859 058 (2008: 4 654 over-allocated) shares.

The unallocated shares, together with the purchased shares, will be allocated in the 2010 financial year. The impact of IFRS 2 – Share-Based Payments, and section 8C of the Income Tax Act No 58 of 1962 has been evaluated in order to determine the optimum use of the shares held as an incentive mechanism. The directors use the scheme to retain key personnel and for the purpose of providing opportunities to employees to participate in the Group's growth and success.

DIVIDENDS

The Company declared dividend number 8 of 2,0 cents per ordinary share on 19 March 2009 for the year ended 31 December 2008 and declared interim dividend number 9 of 0,5 cent per share on 14 August 2009 for the six months ended 30 June 2009. A final dividend number 10 of 2,5 cents per share for the year ended 31 December 2009 was proposed after the balance sheet date.

DIRECTORATE AND SECRETARY

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

R Sack was appointed Financial Director on 30 June 2009.

Ms CS Shiceka was appointed as a Non-Executive Director with effect from 21 August 2009.

Company Secretary

ER Goodman Secretarial Services CC (represented by E Goodman) is the Company Secretary.

In terms of the Articles of Association of the Company, S Klein, R Sack and CS Shiceka retire as directors at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

SUBSIDIARY COMPANIES

Details of the Company's interest in its subsidiaries and associate are set out on page 68. The contribution to the Group's after-tax profit was R8,7 million in profits and R2,7 in losses (2008: R10,3 million in profits and Rnil million in losses) for the year under review.

ALLOCATION OF PROFITS TO MINORITIES

In a previous financial year certain of the subsidiaries issued preference share capital to the holding Company at the fair value of the businesses housed in those companies. The companies continued to generate profits in the current financial year. There was an impairment adjustment of R3,4 million (2008: R10,7 million unimpairment).

DIRECTORS' REPORT continued

for the year ended 31 December 2009

DIRECTORS' INTERESTS

As at 31 December 2009, the aggregate direct and indirect beneficial interests of directors in the fully paid issued share capital of the Company were:

	2009 Beneficial	2008 Beneficial
EXECUTIVE		
M Abel	**18 736 169**	18 014 741
AT McMillan	**3 174 836**	2 426 823
NON-EXECUTIVE		
JM Judin	**900 000**	900 000
S Klein	**729 887**	529 887
LM Maisela	**–**	–
DL Rose	**–**	–
R Sack *	**192 857**	–
DC Seaton	**750 000**	750 000
Ms CS Shiceka #	**–**	–
	24 483 749	22 621 451

** Appointed on 30 June 2009.*

 # Appointed on 21 August 2009.

At the date of this report, M Abel has been granted 3 407 909 (2008: 5 407 909) share options. AT McMillan has been granted 700 000 (2008: 2 550 000) share options and DC Seaton has been granted 1 000 000 (2008: 1 000 000) share options.

There has been no material change in the directors' interest in the issued share capital between 31 December 2009 and the date of this report.

PROPERTY, PLANT AND EQUIPMENT

The Group acquired equipment and vehicles at a cost of R1,5 million (2008: R2,1 million) during the financial year under review. No major changes in the nature of the equipment and vehicles occurred during this year.

SHARE-BASED PAYMENT RESERVE

A share-based payment reserve of R204 285 (2008: R304 695) is carried in respect of the fair value of share options that are likely to be exercised.

SUBSEQUENT EVENTS

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

		Group		Company	
	Notes	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000
Revenue *					
Sales to customers		**523 501**	539 878	**–**	–
Operating profit/(loss)	2	**17 484**	21 772	**(6 043)**	(1 987)
Interest paid	3	**(6 259)**	(4 552)	**(1)**	(61)
Dividend received		**–**	–	**6 425**	9 584
Interest received	1	**4 533**	3 691	**4 338**	3 678
Share of (loss)/profit from associate	11	**(225)**	97	**–**	–
Profit before taxation		**15 533**	21 008	**4 719**	11 214
Taxation	4	**(3 745)**	(3 154)	**(124)**	(343)
Total comprehensive income for the year		**11 788**	17 854	**4 595**	10 871
Total comprehensive income attributable to:					
Ordinary shareholders of the Company		**11 451**	17 507		
Minority shareholders' interest		**337**	347		
Total comprehensive income		**11 788**	17 854		
Weighted average number of shares ('000)	5	**108 980**	114 134		
Diluted weighted average number of shares ('000)	5	**108 980**	116 950		
Earnings per share (cents)	5	**10,51**	15,34		
Diluted earnings per share (cents)	5	**10,51**	14,97		
Headline earnings per share (cents)	5	**10,51**	15,41		
Diluted headline earnings per share (cents)	5	**10,51**	15,04		

* *Excludes revenue of R55,7 million (2008: R61,5 million) from Bathusi Staffing Services (Proprietary) Limited which was deconsolidated as a result of a B-BBEE transaction on 29 January 2005 and has since been accounted for as an associate.*

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 31 December 2009

		Group		Company	
	Notes	2009 R'000	2008 R'000	2009 R'000	2008 R'000
ASSETS					
Non-current assets		**24 064**	25 322	**61 220**	60 061
Equipment and vehicles	6	**4 229**	4 416	**556**	578
Goodwill	7	**10 135**	9 605	**–**	–
Intangible assets	8	**642**	676	**–**	–
Investment in subsidiaries	9	**–**	–	**53 055**	53 197
Long-term receivables	10	**4 227**	3 602	**–**	–
Investment and loan in associate	11	**334**	2 673	**–**	1 738
Deferred tax asset	12	**4 497**	4 350	**670**	87
Advance to share trust	13	**–**	–	**6 939**	4 461
Current assets		**110 973**	113 076	**104 504**	78 757
Inventories	14	**965**	863	**10**	10
Trade receivables	15	**78 871**	91 980	**4**	–
Other receivables	15	**3 362**	3 609	**2 536**	112
Loans to subsidiaries	16	**–**	–	**75 294**	64 708
Taxation receivable		**–**	264	**–**	–
Cash and cash equivalents		**27 775**	16 360	**26 660**	13 927
Total assets		**135 037**	138 398	**165 724**	138 818
EQUITY AND LIABILITIES					
Capital and reserves		**74 722**	68 093	**85 030**	87 260
Ordinary share capital	17	**1 321**	1 321	**1 321**	1 321
Share premium		**1 351**	1 351	**1 351**	1 351
Distributable reserves		**80 993**	72 283	**16 326**	15 033
Non-distributable reserve	18	**–**	–	**65 827**	69 250
Treasury shares	19	**(2 215)**	(2 215)	**–**	–
Share trust shares	20	**(7 678)**	(5 360)	**–**	–
Share-based payment reserve		**205**	305	**205**	305
Total equity attributable to equity holders of the Company		**73 977**	67 685	**85 030**	87 260
Minority interest		**745**	408	**–**	–
Non-current liabilities		**184**	363	**–**	–
Interest-bearing financial liabilities	21	**184**	363	**–**	–
Current liabilities		**60 131**	69 942	**80 694**	51 558
Trade and other payables	22	**28 930**	33 954	**5 176**	8 261
Current portion of financial liabilities	21	**181**	176	**–**	–
Loans from subsidiaries	16	**–**	–	**75 090**	43 038
Short-term vendor obligation		**–**	500	**–**	–
Taxation payable		**1 473**	–	**428**	259
Bank borrowings	23	**29 547**	35 312	**–**	–
Total equity and liabilities		**135 037**	138 398	**165 724**	138 818
Number of shares in issue at year-end ('000) (net of treasury and share trust shares)	17	**105 455**	110 809		
Net asset value per share (cents) (capital and reserves divided by number of shares in issue at year-end)		**71**	61		

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Share capital R'000	Share premium R'000	Distri-butable reserves R'000	Treasury shares R'000	Share trust shares R'000	Share-based payment reserve R'000	Non-distribu-table reserve R'000	Total R'000	Minority interest R'000	Total equity R'000
GROUP										
Opening balances at 1 January 2008	1 321	1 351	57 645	(2 215)	(2 372)	55	–	55 785	61	55 846
Attributable earnings for the year	–	–	17 507	–	–	–	–	17 507	347	17 854
Dividends paid	–	–	(2 869)	–	–	–	–	(2 869)	–	(2 869)
Acquisitions by share trust	–	–	–	–	(2 988)	–	–	(2 988)	–	(2 988)
Share-based payment charge	–	–	–	–	–	250	–	250	–	250
Balances at 1 January 2009	**1 321**	**1 351**	**72 283**	**(2 215)**	**(5 360)**	**305**	**–**	**67 685**	**408**	**68 093**
Attributable earnings for the year	**–**	**–**	**11 451**	**–**	**–**	**–**	**–**	**11 451**	**337**	**11 788**
Dividends paid	**–**	**–**	**(2 741)**	**–**	**–**	**–**	**–**	**(2 741)**	**–**	**(2 741)**
Acquisitions by share trust	**–**	**–**	**–**	**–**	**(2 318)**	**–**	**–**	**(2 318)**	**–**	**(2 318)**
Share-based payment charge	**–**	**–**	**–**	**–**	**–**	**(100)**	**–**	**(100)**	**–**	**(100)**
Closing balances at 31 December 2009	**1 321**	**1 351**	**80 993**	**(2 215)**	**(7 678)**	**205**	**–**	**73 977**	**745**	**74 722**
COMPANY										
Opening balances at 1 January 2008	1 321	1 351	7 464	–	–	55	58 553	68 744	–	68 744
Attributable earnings for the year	–	–	10 871	–	–	–	–	10 871	–	10 871
Dividends paid	–	–	(3 302)	–	–	–	–	(3 302)	–	(3 302)
Share-based payment charge	–	–	–	–	–	250	–	250	–	250
Impairment adjustment	–	–	–	–	–	–	10 697	10 697	–	10 697
Balances at 1 January 2009	**1 321**	**1 351**	**15 033**	**–**	**–**	**305**	**69 250**	**87 260**	**–**	**87 260**
Attributable earnings for the year	**–**	**–**	**4 595**	**–**	**–**	**–**	**–**	**4 595**	**–**	**4 595**
Dividend paid	**–**	**–**	**(3 302)**	**–**	**–**	**–**	**–**	**(3 302)**	**–**	**(3 302)**
Share-based payment charge	**–**	**–**	**–**	**–**	**–**	**(100)**	**–**	**(100)**	**–**	**(100)**
Impairment adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**(3 423)**	**(3 423)**	**–**	**(3 423)**
Closing balances at 31 December 2009	**1 321**	**1 351**	**16 326**	**–**	**–**	**205**	**65 827**	**85 030**	**–**	**85 030**

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 31 December 2009

		Group		Company	
	Notes	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Cash flows from operating activities		**20 455**	30	**(4 497)**	5 855
Profit before taxation		**15 533**	21 008	**4 719**	11 214
Adjustments		**3 020**	3 036	**(4 201)**	(12 849)
– interest received		**(4 533)**	(3 691)	**(4 338)**	(3 678)
– interest paid		**6 259**	4 552	**1**	61
– dividends received		**–**	–	**–**	(3 302)
– non-cash flow items		**(366)**	309	**–**	(6 035)
– depreciation		**1 660**	1 866	**136**	105
Operating cash flow before working capital changes		**18 553**	24 044	**518**	(1 635)
Working capital changes		**8 230**	(19 025)	**(5 512)**	4 043
– (increase)/decrease in inventories		**(102)**	274	**–**	250
– decrease/(increase) in trade and other receivables		**13 356**	(16 349)	**(2 428)**	190
– (decrease)/increase in trade and other payables		**(5 024)**	(2 950)	**(3 084)**	3 603
Cash generated from/(utilised in) operations		**26 783**	5 019	**(4 994)**	2 408
Interest received		**4 533**	3 691	**4 338**	3 678
Interest paid		**(6 259)**	(4 552)	**(1)**	(61)
Dividends received		**–**	–	**–**	3 302
Dividends paid		**(2 741)**	(2 869)	**(3 302)**	(3 302)
Taxation paid	A	**(1 861)**	(1 259)	**(538)**	(170)
Cash flows from investing activities		**(3 101)**	(10 678)	**17 230**	(10 560)
Purchase of equipment and vehicles to maintain operations		**(1 473)**	(2 059)	**(114)**	(440)
Purchase of intangible assets		**(530)**	(100)	**–**	–
Proceeds on disposal of equipment and vehicles		**6**	260	**–**	–
Repurchase of securities		**(2 318)**	(2 988)	**–**	–
Movement in loan to associate		**2 339**	607	**–**	55
(Increase)/repayment of long-term receivable		**(625)**	(3 602)	**(101)**	–
Cash flows applied to new acquisition	B	**–**	(1 978)	**–**	–
Loans from/(to) subsidiaries		**–**	–	**17 445**	(10 175)
Decrease in short-term vendor obligation		**(500)**	(713)	**–**	–
Cash flows from financing activities		**(174)**	(713)	**–**	(2 464)
Decrease in long-term payables		**(179)**	(317)	**–**	(2 464)
Increase/(decrease) in current portion of financial liability		**5**	(396)	**–**	–
Net increase/(decrease) in cash and cash equivalents		**17 180**	(11 361)	**12 733**	(7 169)
Cash and cash equivalents at beginning of year		**(18 952)**	(7 591)	**13 927**	21 096
Cash and cash equivalents at end of year	C	**(1 772)**	(18 952)	**26 660**	13 927

NOTES TO THE STATEMENTS OF CASH FLOWS

for the year ended 31 December 2009

		Group		Company	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
A.	**TAXATION PAID**				
	Amount refundable/(unpaid) at beginning of year	**264**	208	**(259)**	35
	Amount charged to the income statement	**(3 598)**	(1 203)	**(707)**	(464)
	Amount payable/(refundable) at end of year	**1 473**	(264)	**428**	259
		(1 861)	1 259	**(538)**	(170)
B.	**CASH FLOWS RELATING TO ACQUISITION**				
	Assets purchased	**–**	–	**–**	–
	Liabilities assumed (instalment sale agreements)	**–**	–	**–**	–
	Liabilities assumed (contractor provisions)	**–**	–	**–**	–
	Goodwill	**–**	(2 478)	**–**	–
		–	(2 478)	**–**	–
	Loan payable	**–**	500	**–**	–
		–	(1 978)	**–**	–
C.	**CASH AT BANK AND BORROWINGS AT YEAR-END**				
	Cash at bank	**27 775**	16 360	**26 660**	13 927
	Bank borrowings	**(29 547)**	(35 312)	**–**	–
		(1 772)	(18 952)	**26 660**	13 927
	Cash at bank and borrowings are comprised as follows:				
	South African Rand	**(1 819)**	(18 995)	**26 634**	13 904
	Foreign currencies *	**47**	43	**26**	23
		(1 772)	(18 952)	**26 660**	13 927

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

SUMMARY OF ACCOUNTING POLICIES

for the year ended 31 December 2009

PRINCIPAL ACCOUNTING POLICIES

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

BASIS OF PREPARATION

These consolidated financial statements are prepared in accordance with, and comply with the JSE Listings requirements and IFRS and the South African Companies Act of 1973. The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis.

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

Standards, interpretations and amendments as published standards that are effective for the 31 December 2009 year-end

The results for the year have been prepared in accordance with the Group's accounting policies which are consistent with the previous period, with the exception of the adoption of IAS 1 Revised – Presentation of Financial Statements and IFRS 8 – Segmental Reporting. These comply with International Financial Reporting Standards, IAS 34 – Interim Financial Reporting, the South African Companies Act and the JSE Limited Listings Requirements.

PRINCIPLES OF CONSOLIDATION

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

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

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

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. The Group Share Incentive Trust is indicated in the Company stand-alone accounts as a subsidiary.

MINORITY INTEREST

Minority interest in the net assets are determined as the minority shareholders' proportionate share of the fair value of the identifiable net assets of the subsidiary acquired at the date of the original business combination, together with the minority's share of changes in equity since the date of the combination. Losses in excess of the minority interest are allocated against the interest of the Group. Gains or losses on disposals and acquisitions are taken to equity.

ASSOCIATES

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

Interests in associates are accounted for using the equity method and are carried in the consolidated statements of financial position at an amount that reflects the Group's share of the net assets of the associate. Equity accounting involves recognising the investment initially at cost, including goodwill, and subsequently adjusting the carrying value for the Group's share of associates' profit or loss for the year and are recognised in profit or loss.

The presumption exists that an investor has significant influence if the investor holds, directly or indirectly, 20% or more of the voting or potential voting power of the investee. The Group's share of post-acquisition movements in the reserves of the associate is recognised in the Group's reserves. When the Group's share of post-acquisition losses equals or exceeds the Group's interest in the associate, the Group does not recognise further losses unless it has incurred obligations or made payments on the associate's behalf. Unrealised gains on transactions between the Group and its associates are eliminated on consolidation to the extent of the Group's interest in the associate. Unrealised losses are also eliminated to the extent of the Group's interest in the associate, unless the transaction provides evidence of an impairment.

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

GOODWILL

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

Goodwill arising on acquisitions prior to 31 March 2004 is included in the consolidated statements of financial position at its deemed cost (cost less accumulated amortisation recognised up to 31 March 2003), which represents the amount recorded under previous SA GAAP.

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

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

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

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

INTANGIBLE ASSETS

Intangible assets are recorded at cost less accumulated amortisation and impairments and consist of goodwill and trademarks.

These are considered to have indefinite useful lives. The residual value is reassessed annually. Where the residual value equals or exceeds the carrying amount of an asset, no depreciation is recognised.

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

Where the carrying value of the intangible asset exceeds its recoverable amount, an impairment is recognised immediately in profit or loss.

FINANCIAL INSTRUMENTS

Financial assets

Classification

The Group classifies its financial assets in the following category: loans and receivables. The classification is dependent on the purpose for which the asset is acquired. Management determines the classification of its investments at the time of purchase.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at fair value including transaction costs. These are carried at amortised cost and are impaired if there is objective evidence that the Group will not receive cash flows according to the original contractual terms. Default or delinquency in payment and significant financial difficulties are considered indicators that the receivable is impaired. The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows discounted at the original effective rate. The resulting loss is accounted for as an impairment in the consolidated statements of comprehensive income. Trade receivables are presented net of an allowance for impairment. Movements on this allowance are taken to the consolidated statements of comprehensive income and uncollectable amounts are written off against the allowance. Subsequent recoveries of amounts previously written off are credited to the consolidated statements of comprehensive income.

Measurement

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

Impairment

Financial assets are reviewed at each end of the reporting period date to determine whether there is objective evidence of impairment. If any such indication exists, the recoverable amount is estimated and the carrying value is reduced to the estimated recoverable amount by means of a charge to the consolidated statements of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with these being initially and subsequently carried at fair value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

LEGAL RIGHT OF SET-OFF

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

FINANCIAL LIABILITIES

Loans and other payables

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

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.

PROVISIONS

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

DEFERRED TAXATION

Deferred taxation is provided for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements, and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated using rates expected to apply when the related deferred tax assets are realised or deferred tax liability settled. Deferred tax is provided on temporary differences arising on investments in associates and subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) enacted or substantially enacted at the consolidated statements of financial position date. Deferred tax assets are recognised to the extent that it is probable that a taxable profit will be available in future years against which the tax asset can be recovered.

SHARE CAPITAL

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

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

EMPLOYEE BENEFITS

IFRS 2 – Share-based Payment Reserve - The Primeserv Employee Share Trust

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

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

Other benefits

At each end of the reporting period date, management revises its estimate of the number of options expected to vest based on the non-market vesting conditions. The impact of the revision to the original estimates, if any, is recognised in profit or loss with a corresponding increase in equity.

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.

TAXATION

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

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

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

INVENTORIES

Inventories, comprising consumables and training materials, are valued at the lower of cost and estimated net realisable value. Cost is determined on the first-in, first-out basis. Write-downs of inventory to net realisable value are recognised immediately in the consolidated statements of comprehensive income when incurred.

EQUIPMENT AND VEHICLES

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

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

Residual values and useful lives are reassessed annually.

Gains and losses on disposal are recognised in profit or loss.

REVENUE

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

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

FOREIGN CURRENCIES

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

Gains or losses on translation are recognised in profit or loss.

LEASES

Finance leases

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

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

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

Leased assets are depreciated on a straight-line basis over the shorter of the lease term and the asset's useful life.

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

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

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

BORROWING COSTS

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

SEGMENT REPORTING

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

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

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

SOURCES OF ESTIMATION UNCERTAINTY

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

JUDGEMENTS AND ESTIMATES MADE BY MANAGEMENT

Preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual amounts could differ from these estimates.

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

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

Any additional payments made due to the fulfilment of contingent conditions is recognised as goodwill and is not allocated to tangible assets of the acquired business.

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

Carrying value of goodwill and intangibles

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

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

The following key assumptions were applied:

Growth rate	3%
Discount rate	22%

A forecast period of 5 years was used to assess the carrying amount.
A conservative growth rate of 3% was assumed.
The discount rate was calculated by using a risk-free rate adjusted for risk factors.

Long-term receivable
Included as a long-term receivable is an amount of R4 227 000 (2008: R3 602 000) recoverable from the vendor and shareholders of the Staff Dynamix business, arising out of advances in respect of expenses, debtors taken over, payments by customers and liabilities settled in regard to the business. The net receivable due is secured by the personal suretyship of the shareholder and is considered by management to be fully recoverable.

SUMMARY OF ACCOUNTING POLICIES continued

for the year ended 31 December 2009

Asset lives and residual values

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

Recoverability of deferred tax asset

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

Recoverability of trade debtors

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

IFRS 2 – Share-Based Payments

Management has applied the policy as listed under employee benefits.

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

IFRS 3 – Business Combinations (effective 1 July 2009). Comprehensive revision on applying the acquisition method.

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

IAS 7 – Statement of Cash flows (effective 1 January 2010). Cash flows from assets held for rental classified as operating activities.

IAS 17 – Leases (effective 1 January 2010). Classification of leases of land and buildings.

The directors anticipate that the adoption of these Standards and Interpretations in future years will have no material impact on the financial statements of the Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2009

		Group		Company	
		2009	2008	**2009**	2008
		R'000	R'000	**R'000**	R'000
1.	**INTEREST RECEIVED**				
	Using the effective interest rate method				
	Interest received – cash and cash equivalents	**4 533**	3 691	**4 338**	3 678
		4 533	3 691	**4 338**	3 678
2.	**OPERATING PROFIT/(LOSS)**				
	Operating profit/(loss) is stated after taking into account the following:				
	Income				
	Management fees	**3 840**	3 840	**4 104**	6 805
	Dividends received/accrued	**–**	–	**6 425**	9 584
	Profit on sale of equipment and vehicles	**6**	–	**–**	–
	Expenses				
	Auditors' remuneration	**1 153**	1 086	**600**	540
	– audit fees current year	**1 153**	1 086	**600**	540
	– audit fees prior year	**–**	–	**–**	–
	Cost of sales	**424 847**	434 616	**–**	–
	Depreciation	**1 660**	1 866	**136**	105
	– computer equipment	**803**	914	**78**	63
	– motor vehicles	**172**	659	**–**	–
	– furniture, fittings and equipment	**685**	293	**58**	42
	(Loss)/profit on sale of equipment and vehicles	**(6)**	156	**–**	–
	Operating lease rentals	**10 894**	10 760	**162**	8
	– equipment and vehicles	**2 588**	3 036	**–**	–
	– premises	**8 306**	7 724	**162**	8
	Employee costs and benefits	**53 144**	54 285	**6 757**	8 430
	Staff costs (includes executive directors' remuneration – refer to note 24)	**43 983**	43 521	**6 069**	5 953
	Key management remuneration (excluding executive directors)	**6 358**	7 978	**331**	1 842
	Share-based payment charge	**(100)**	250	**(100)**	250
	Retirement costs	**2 903**	2 536	**457**	385
	Directors' fees (non-executive directors)	**1 065**	808	**1 065**	808
3.	**INTEREST PAID**				
	Bank borrowings	**6 206**	4 184	**1**	61
	Finance leases	**27**	116	**–**	–
	IAS 39 – Financial Instrument Charge – interest on vendor loan	**26**	252	**–**	–
		6 259	4 552	**1**	61

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2009

		Group		Company	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
4.	**TAXATION**				
	SA normal taxation	**3 598**	1 203	**707**	464
	– current	**1 798**	873	**595**	464
	– prior year adjustment	**1 470**	–	**112**	–
	– secondary tax on companies (STC)	**330**	330	**–**	–
	Deferred tax	**147**	1 951	**(583)**	(121)
	– current	**147**	1 734	**(583)**	(120)
	– rate adjustment	**–**	217	**–**	(1)
		3 745	3 154	**124**	343
		%	%	%	%
	Tax rate reconciliation				
	Statutory tax rate	**28,0**	28,0	**28,0**	28,0
	Tax rate change	**–**	(1,0)	**–**	–
	Non-deductible items	**0,2**	–	**0,4**	–
	Non-taxable items	**(12,1)**	–	**(25,8)**	(24,7)
	Share of associate (loss)/income	**0,1**	(0,1)	**–**	–
	Trademark allowances	**(2,7)**	(9,7)	**–**	–
	Utilisation of tax losses and other	**8,5**	(3,7)	**–**	–
	Secondary tax on companies (STC)	**2,1**	1,5	**–**	–
	Effective tax rate	**24,1**	15,0	**2,6**	3,3
5.	**EARNINGS PER SHARE**				
	Basic				
	Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year, excluding shares purchased by the Company, incentive shares and held as treasury shares.				
	Diluted				
	Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.				
	Number of shares in issue ('000)				
	Number of shares in issue at the end of the year	**132 063**	132 063	**–**	–
	Less: Adjustments to shares in issue				
	Treasury shares at the end of the year	**(10 646)**	(10 646)	**–**	–
	Share trust shares at the end of the year	**(15 962)**	(10 608)	**–**	–
	Weighting for movement during year	**3 525**	3 325	**–**	–
	Weighted average number of shares in issue ('000)	**108 980**	114 134	**–**	–
	Add: Adjustment for options granted by share trust	**–**	2 816	**–**	–
	Weighted average shares for dilutive earnings per share ('000)	**108 980**	116 950	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2009

		Group		Company	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
5.	**EARNINGS PER SHARE (continued)**				
	Attributable earnings per share (cents)	**10,51**	15,34	**–**	–
	Attributable earnings	**11 451**	17 507	**–**	–
	Weighted average number of shares in issue ('000)	**108 980**	114 134	**–**	–
	Fully diluted earnings per share (cents)	**10,51**	14,97	**–**	–
	Attributable earnings	**11 451**	17 507	**–**	–
	Diluted weighted average number of shares in issue ('000)	**108 980**	116 950	**–**	–
	Headline earnings				
	Attributable earnings	**11 451**	17 507	**–**	–
	Headline earnings adjusting items				
	Gross profit on disposal of equipment and vehicles (IAS 16)	**6**	115	**–**	–
	Tax	**(2)**	(32)	**–**	–
	Net profit on disposal of equipment and vehicles (IAS 16)	**4**	83	**–**	–
		11 455	17 590	**–**	–
	Headline earnings per share (cents)	**10,51**	15,41	**–**	–
	Headline earnings	**11 455**	17 590	**–**	–
	Weighted average number of shares in issue ('000)	**108 980**	114 134	**–**	–
	Diluted headline earnings per share (cents)	**10,51**	15,04	**–**	–
	Headline earnings	**11 455**	17 590	**–**	–
	Diluted weighted average number of shares in issue ('000)	**108 980**	116 950	**–**	–
6.	**EQUIPMENT AND VEHICLES**				
	Cost				
	Computer equipment	**8 093**	7 362	**611**	536
	Motor vehicles	**1 361**	1 419	**–**	–
	Furniture, fittings and equipment	**10 052**	9 312	**1 090**	1 050
		19 506	18 093	**1 701**	1 586
	Accumulated depreciation				
	Computer equipment	**7 157**	6 353	**507**	429
	Motor vehicles	**891**	780	**–**	–
	Furniture, fittings and equipment	**7 229**	6 544	**637**	579
		15 277	13 677	**1 144**	1 008
	Net book value at end of year				
	Computer equipment	**936**	1 009	**104**	107
	Motor vehicles	**470**	639	**–**	–
	Furniture, fittings and equipment	**2 823**	2 768	**452**	471
		4 229	4 416	**556**	578
	Movement for the year				
	Cost at beginning of year	**18 093**	17 419	**1 586**	1 146
	Accumulated depreciation at beginning of year	**(13 677)**	(12 780)	**(1 008)**	(903)
	Net book value at beginning of year	**4 416**	4 639	**578**	243

		Group		Company	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
6.	**EQUIPMENT AND VEHICLES (continued)**				
	Additions				
	Computer equipment	**731**	513	**75**	44
	Motor vehicles	**–**	–	**–**	–
	Furniture, fittings and equipment	**742**	1 546	**39**	396
		1 473	2 059	**114**	440
	Depreciation				
	Computer equipment	**(803)**	(914)	**(78)**	(63)
	Motor vehicles	**(172)**	(659)	**–**	–
	Furniture fittings and equipment	**(685)**	(293)	**(58)**	(42)
		(1 660)	(1 866)	**(136)**	(105)
	Disposals				
	Computer equipment	**–**	(36)	**–**	–
	Motor vehicles	**–**	–	**–**	–
	Furniture, fittings and equipment	**–**	(380)	**–**	–
		–	(416)	**–**	–
	Net book value at end of year	**4 229**	4 416	**556**	578
	Motor vehicles with a book value of R411 604 (2008: R537 424) are encumbered as per note 21.				
7.	**GOODWILL**				
	Year ended 31 December 2009				
	Opening cost and net book value	**9 605**	7 127	**–**	–
	Acquisition of business				
	– Denverdraft *	**–**	2 200	**–**	–
	Adjustments **	**530**	278	**–**	–
	Closing cost and net book value	**10 135**	9 605	**–**	–
	* *Relates to the acquisition of the Denverdraft Tirisano business purchased with effect from 1 August 2008.* ** *Relates to costs capitalised and the finalisation of the Primeserv Denverdraft (Pty) Limited purchase price being allocated to goodwill.*				
8.	**INTANGIBLES ASSETS**				
	Cost: Trademarks	**910**	810	**–**	–
	Less: Accumulated trademark amortisation	**(234)**	(234)	**–**	–
	Opening net book value	**676**	576	**–**	–
	Contract acquired	**–**	100	**–**	–
	Amortisation	**(34)**	–	**–**	–
	Closing net book value	**642**	676	**–**	–
	At 31 December 2009				
	Cost: Goodwill	**910**	910	**–**	–
	Accumulated amortisation and impairment	**(268)**	(234)	**–**	–
	Closing net book value	**642**	676	**–**	–

The intangible assets are considered to have indefinite useful lives and are reviewed annually for impairment (refer to Accounting Policy: Intangible Assets).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2009

		Group		Company	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
9.	**INVESTMENT IN SUBSIDIARIES**				
	Ordinary shares at cost	**–**	–	**2**	2
	Class A preference shares				
	Cost	**–**	–	**79 800**	79 800
	(Impairment)/unimpairment	**–**	–	**(34 340)**	(34 340)
	Net book value	**–**	–	**45 460**	45 460
	Class B preference shares				
	Cost	**–**	–	**83 312**	83 312
	(Impairment)/unimpairment	**–**	–	**(83 312)**	(83 312)
	Net book value	**–**	–	**–**	–
	Preference dividend accrued	**–**	–	**25 253**	21 972
	Impairment of investments	**–**	–	**(17 660)**	(14 237)
	Sub-total	**–**	–	**7 593**	7 735
	Net investment in subsidiaries	**–**	–	**53 055**	53 197
	The contribution to the Group's after-tax profit was R8,7 million (2008: R10,3 million) and R2,7 million in after-tax losses (R2008: Rnil).				
	Further information on the subsidiary companies is contained on page 68 of the financial statements.				
10.	**LONG-TERM RECEIVABLES**				
	Receivable to be collected in excess of one year and no interest has been charged	**–**	–	**–**	–
	The effects of discounting were considered to be immaterial and the carrying amount approximates the instrument's fair value	**4 227**	3 602	**–**	–
		4 227	3 602	**–**	–
11.	**INVESTMENT AND LOAN IN ASSOCIATE**				
	Balance at beginning of year	**2 673**	3 183	**1 738**	–
	Loans to associate company	**–**	–	**–**	1 738
	Movement in loans to associate company	**(2 114)**	(607)	**(1 738)**	–
	Share of (loss)/profits from associate	**(225)**	97	**–**	–
	Balance at end of year	**334**	2 673	**–**	1 738
	The income statement and balance sheet of the associate are summarised as follows:				
	Income Statement				
	Revenue	**55 698**	61 589	**–**	–
	Net operating costs	**(56 393)**	(61 284)	**–**	–
	(Loss)/profit before taxation	**(695)**	305	**–**	–
	Taxation	**697**	(85)	**–**	–
	Profit after taxation	**2**	220	**–**	–

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
11. INVESTMENT AND LOAN IN ASSOCIATE (continued)				
Balance Sheet				
Property, plant and equipment	56	21	–	–
Goodwill	4 877	4 877	–	–
Deferred tax	1 044	384	–	–
Inventories	358	56	–	–
Trade and other receivables	7 351	11 342	–	–
Cash	327	311	–	–
Total assets	14 013	16 991	–	–
Trade, other payables and loans	(16 457)	(19 423)	–	–
Total shareholders' funds	(2 444)	(2 432)	–	–
The loan is unsecured, bears interest at the greater of 18% per annum and the prime rate plus 5% per annum, and has no fixed terms of repayment.				
Primeserv Group Limited has signed an unlimited cross suretyship in respect of its associate company, Bathusi Staffing Services (Proprietary) Limited. The probability of this liability being called on is considered to be remote.				
12. DEFERRED TAX ASSET				
Assessable losses*	12 505	2 881	–	(65)
Provisions	1 552	1 849	689	181
Prepayments	(156)	(125)	(19)	(29)
Capital Gains Tax	(286)	–	–	–
Other	883	–	–	–
Impairments	(9 707)	–	–	–
Deferred income	–	83	–	–
Work-in-progress	(294)	(345)	–	–
IAS 39 adjustments	–	7	–	–
	4 497	4 350	670	87
Reconciliation between deferred tax opening and closing balances				
Deferred tax at beginning of year	4 350	6 301	87	(34)
Tax rate change	–	(217)	–	1
Assessable losses	9 624	(790)	65	2
Provisions	(297)	(561)	508	109
Capital Gains Tax	(286)	–	–	–
Other	883	–	–	–
Impairments	(9 707)	–	–	9
Prepayments	(31)	(47)	10	–
Deferred income	(83)	(213)	–	–
Work-in-progress	51	(123)	–	–
IAS 39 adustments	(7)	–	–	–
Deferred tax at end of year	4 497	4 350	670	87

** Tax losses amounting to R46 552 643 (2008: R56 913 521) have not been recognised. Tax losses amounting to R16 866 222 (2008: R10 289 286) have been recognised on the basis of future sustainable profits that have been estimated for in the next three financial years.*

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
13. ADVANCE TO THE SHARE TRUST				
The Company has advanced R7 121 210 (2008: R4 461 442) to the Primeserv Group Limited Share Incentive Trust for the acquisition of 15 962 247 (2008: 10 608 035) shares.	–	–	**6 939**	4 461
Primeserv Group Limited ordinary shares at fair value at the balance sheet date	–	–	**6 385**	4 243
14. INVENTORIES				
Inventories comprise consumable goods including personal protective equipment, books, manuals and other course material and is carried at net realisable value at year-end.	**965**	863	**10**	10
15. TRADE AND OTHER RECEIVABLES				
Trade receivables	**78 871**	91 980	**4**	–
	3 362	3 609	**2 536**	112
Other receivables	**2 805**	3 093	**2 469**	8
Prepayments	**557**	516	**67**	104
	82 233	95 589	**2 540**	112
Trade receivables are encumbered as per note 23.				
In line with management's judgements taken, trade receivables that are less than three months overdue have not been impaired. As at 31 December 2009, the trade receivables of R15,2 million (2008: R13,1 million) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default. The age analysis of the trade receivables is as follows:				
Up to 3 months	**51 749**	73 591	**4**	–
4 months and older	**27 122**	18 389	**–**	–
	78 871	91 980	**4**	–
Allowance for impairment (bad debt provision)				
Balance at beginning of year	**5 099**	5 083	**–**	–
Impairments recognised in income statement	**3 059**	3 373	**–**	–
Reversal of impairments recognised in income statement	**(2 317)**	(3 357)	**–**	–
Balance at end of year	**5 841**	5 099	**–**	–
Credit risk exposure				
Maximum exposure to credit losses of trade receivables	**84 712**	97 079	**4**	–
Credit risk exposure mitigated through:				
VAT reclaimable from South African Revenue Service	**(10 127)**	(10 225)	**–**	–
Credit insurance contracts	**(30 010)**	(43 162)	**–**	–
Impairment provision	**(5 841)**	(5 099)	**–**	–
Residual exposure	**38 734**	38 593	**4**	–
Financial asset risk exposure – other receivables				
Prepayments	**557**	516	**67**	104
Deposits	**601**	623	**–**	–
Staff loans	**22**	758	**–**	–
Other receivables	**2 182**	1 712	**2 469**	8
	3 362	3 609	**2 536**	112
Refer to note 27 regarding exposure to interest rate risk.				

		Group		Company	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
16.	**LOANS TO AND FROM SUBSIDIARIES**				
	Loans to subsidiaries	–	–	75 294	64 708
	Loans from subsidiaries	–	–	(75 090)	(43 038)
	Balance at end of year	–	–	204	21 670
	Net movement for the year	–	–	(21 466)	10 175
	The loans are unsecured and have no fixed terms of repayment. The balances will be settled in cash. No guarantees have been given or received. No provision for doubtful debts has been raised against amounts outstanding.				
17.	**ORDINARY SHARE CAPITAL**				
	Authorised				
	500 000 000 ordinary shares of 1 cent each	5 000	5 000	5 000	5 000
	Issued				
	132 062 743 (2008: 132 062 743) ordinary shares of 1 cent each	1 321	1 321	1 321	1 321
	There are nil (2008: nil) shares to be issued in respect of shares outstanding in terms of the Primeserv Group Limited Share Incentive Trust.				
	Unissued shares				
	The unissued shares totalling 367 937 257 (2008: 367 937 257) shares of 1 cent each are under the control of the directors subject to the provisions of Sections 221 and 222 of the Companies Act and the Listings Requirements of the JSE Limited.				
	The authority is valid until the next annual general meeting.				
	Reconciliation of shares in issue:				
	Shares in issue	105 455 007	110 809 219	–	–
	Treasury shares	10 645 489	10 645 489	–	–
	Share Trust shares	15 962 247	10 608 035	–	–
	Issued share capital	132 062 743	132 062 743	–	–
18.	**NON-DISTRIBUTABLE RESERVE**				
	The non-distributable reserve arises from the unimpairment of assets previously impaired against the write-off of the share premium account of the Company	–	–	65 827	69 250
19.	**TREASURY SHARES**				
	Comprises 10 645 489 (2008: 10 645 489) Primeserv Group Limited ordinary shares purchased in terms of shareholder approval obtained	2 215	2 215	–	–
20.	**SHARE TRUST SHARES**				
	Comprises 15 962 247 (2008: 10 608 035) Primeserv Group Limited ordinary shares. The Primeserv Group Limited Share Trust has been consolidated into the Group in terms of a directive issued by the JSE Limited in February 2004	7 678	5 360	–	–

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
21. INTEREST-BEARING FINANCIAL LIABILITIES				
Finance agreements				
Total owing	365	539	–	–
Current portion included with short-term loans	(181)	(176)	–	–
	184	363	–	–
The loans are repayable in monthly instalments, inclusive of interest, at rates varying from 8,5% to 13,5% (2008: 13,5% to 14,98%) and are secured over relevant equipment and vehicles, with a book value of R411 604 (2008: R537 424).				
Interest-bearing borrowings				
Short-term portion	181	176	–	–
Long-term portion	184	363	–	–
Total	365	539	–	–

	Finance lease commitments	Finance charges	Capital amount
Finance lease commitments			
2009			
Payable within one year – vehicles	184	(23)	161
Payable two to five years – vehicles	244	(40)	204
	428	(63)	365
2008			
Payable within one year – vehicles	237	(61)	176
Payable two to five years – vehicles	417	(54)	363
	654	(115)	539

Borrowing powers

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

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
22. TRADE AND OTHER PAYABLES				
Trade payables	2 708	2 530	17	540
Payroll payables	7 694	14 706	465	3 122
Other accruals and sundry creditors	18 528	16 718	4 694	4 599
	28 930	33 954	5 176	8 261

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
23. BANK BORROWINGS				
Invoice finance	**29 547**	35 152	–	–
The finance is secured over the book debts of Primeserv ABC Recruitment (Proprietary) Limited, Primeserv Denverdraft (Proprietary) Limited, Primeserv Employee Solutions (Proprietary) Limited, Primeserv Staff Dynamix (Proprietary) Limited and Bathusi Staffing Services (Proprietary) Limited to the value of R55,7 million and bears interest at 0,5% below the prime bank overdraft rate per annum. It is repayable on collection of the book debts, subject to a 25% retention margin of total debt financed in this manner.				
Bank overdraft	–	160	–	–
The bank overdraft is secured over the book debt of Primeserv Training (Proprietary) Limited, Primeserv Recruitment (Proprietary) Limited and Primeserv Corporate Solutions (Proprietary) Limited and bears interest at the prime bank overdraft rate per annum.				
	29 547	35 312	–	–

	Company 2009 Directors' fees R'000	Company 2009 Remune-ration R'000	Company 2009 Benefits R'000	Company 2009 Allowances R'000	Company 2009 Bonuses R'000	Company 2009 Share options exercised R'000	Company 2009 Total R'000	Company 2008 R'000
24. DIRECTORS' REMUNERATION								
The remuneration paid to directors of the Company, whilst in office during the year ended 31 December 2009, can be analysed as follows:								
Executive Directors	–	5 081	611	372	1 313	–	7 377	7 032
M Abel	–	2 813	313	120	750	–	3 996	4 540
AT McMillan	–	1 476	180	204	450	–	2 310	2 492
R Sack *	–	792	118	48	113	–	1 071	–
Non-Executive Directors	925	–	–	140	–	–	1 065	808
JM Judin	205	–	–	–	–	–	205	177
S Klein	190	–	–	140	–	–	330	330
LM Maisela	140	–	–	–	–	–	140	20
DL Rose	170	–	–	–	–	–	170	154
DC Seaton **	170	–	–	–	–	–	170	127
Ms CS Shiceka ***	50	–	–	–	–	–	50	–
	925	5 081	611	512	1 313	–	8 442	7 840

** Appointed 30 June 2009 – remuneration for the full year.*
*** Consulting services provided by DC Seaton are fully recorded under note 29.*
****Ms CS Shiceka was appointed on 21 August 2009.*

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

	Company	
	2009 R'000	2008 R'000
24. DIRECTORS' REMUNERATION (continued)		
Shares awarded as follows:	–	669
M Abel	–	334
AT McMillan	–	251
R Sack	–	84

	No of options as at 31 Dec 2008	No of options exercised during the year	No of options lapsed during the year	No of options as at 31 Dec 2009	Option price cents	Date from which exercisable	Expiry date
25. SHARE-BASED PAYMENTS							
2009 – COMPANY							
The interest of the executive directors and employees provided in the form of options are shown in the table below:							
M Abel	1 617 909	–	–	1 617 909	16	08/11/2000	31/05/2010
M Abel	235 000	–	–	235 000	20	05/09/2003	04/09/2013
M Abel	2 000 000	–	(2 000 000)	–	65	10/12/2007	31/12/2009
M Abel	1 555 000	–	–	1 555 000	56	07/11/2008	30/06/2011
AT McMillan	1 850 000	–	(1 850 000)	–	65	10/12/2007	31/12/2009
AT McMillan	700 000	–	–	700 000	56	07/11/2008	30/06/2011
DC Seaton	1 000 000	–	–	1 000 000	56	07/11/2008	30/06/2011
Employees	6 000	–	(6 000)	–	6	18/10/1999	17/10/2009
Employees	3 000	–	(3 000)	–	6	05/01/1999	04/01/2009
Employees	500	–	(500)	–	6	05/05/1999	04/05/2009
Employees	5 280	–	–	5 280	16	01/06/2000	31/05/2010
Employees	450 000	–	(450 000)	–	20	08/01/2007	07/01/2009
Employees	470 000	–	–	470 000	22	08/01/2007	07/01/2010
Employees	720 000	–	(200 000)	520 000	50	12/03/2007	11/03/2010
	10 612 689	–	(4 509 500)	6 103 189			
Weighted average strike price at 31 December 2009					40,85		

	No of options as at 31 Dec 2007	No of options exercised during the year	No of options issued/(lapsed) during the year	No of options as at 31 Dec 2008	Option price cents	Date from which exercisable	Expiry date
25. SHARE-BASED PAYMENTS							
2008 – COMPANY							
The interest of the executive directors and employees provided in the form of options are shown in the table below:							
M Abel	1 617 909	–	–	1 617 909	16	08/11/2000	31/05/2010
M Abel	235 000	–	–	235 000	20	05/09/2003	04/09/2013
M Abel	2 000 000	–	–	2 000 000	65	10/12/2007	31/12/2009
M Abel	–	–	1 555 000	1 555 000	56	07/11/2008	30/06/2011
AT McMillan	1 850 000	–	–	1 850 000	65	10/12/2007	31/12/2009
AT McMillan	–	–	700 000	700 000	56	07/11/2008	30/06/2011
DC Seaton	–	–	1 000 000	1 000 000	56	07/11/2008	30/06/2011
Employees	24 800	–	(24 800)	–	6	29/04/1998	28/04/2008
Employees	11 400	–	(11 400)	–	6	17/09/1998	16/09/2008
Employees	9 000	–	(3 000)	6 000	6	18/10/1999	17/10/2009
Employees	3 000	–	–	3 000	6	05/01/1999	04/01/2009
Employees	2 250	–	(1 750)	500	6	05/05/1999	04/05/2009
Employees	5 280	–	–	5 280	16	01/06/2000	31/05/2010
Employees	1 440 000	–	(1 440 000)	–	33	08/01/2007	07/01/2009
Employees	450 000	–	–	450 000	20	08/01/2007	07/01/2009
Employees	470 000	–	–	470 000	22	08/01/2007	07/01/2010
Employees	920 000	–	(200 000)	720 000	50	12/03/2007	11/03/2010
	9 038 639	–	1 574 050	10 612 689			
Weighted average strike price at 31 December 2008					48,87		

Share options are granted to selected directors and selected employees. The exercise price of the granted options is the cost of the unissued shares in the Share Trust at the date the options are granted or 90% of the ruling market price as at the grant date. The options vest and are exercisable over periods of time up to 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The weighted average fair value of options granted during the year is calculated using the Black-Scholes valuation model and is expensed in the year in which the options are granted. The significant inputs into the model include the weighted average share price at the grant date, the exercise price, a risk-free interest rate assumption and the volatility of the share measured as the standard deviation of the share price based on an analysis of the daily share price over the same period as the vesting period measured retrospectively. During the year an amount of R100 410 (2008: R249 987) was charged against income in respect of options granted.

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000

26. CONTINGENT LIABILITIES

The Company and certain of its fellow subsidiaries have signed surety to FirstRand Bank Limited in favour of its fellow subsidiaries for debtors financing and normal banking facilities granted. The net amount outstanding in the subsidiaries and associate in respect of these facilities at year-end is R38 031 834 (2008: R44 944 178).

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. The Group has, however, made a payment to SARS without admission of liability and SARS has agreed that the amount will be repaid should the appeal be successful or the matter be resolved at a lesser amount. The Group has deemed it prudent to raise a charge against income regarding this disputed claim.

27. FINANCIAL INSTRUMENTS

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

Interest rate risk

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

Liquidity risk

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

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

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

Credit risk

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

Credit risk with respect to trade receivables is dispersed due to the large number of customers and the diversity of industries serviced. The Company performs credit evaluations of its customers and, where available and cost effective, utilises credit insurance.

Capital Risk Management

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2009

	Group		Company	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
28. RETIREMENT BENEFITS				
The Group presently contributes to defined contribution retirement benefit plans, being pension funds governed by the Pension Funds Act, 1956, which, due to the nature of the funds, do not require actuarial valuations.				
Retirement costs for the year amounted to R2,9 million (2008: R2,5 million) with 49% of employees (which include temporary and those on limited duration contracts) belonging to the pension fund.				
The Group has no obligations to fund post-retirement medical benefits.				
29. RELATED PARTY TRANSACTIONS				
Arm's length trading transactions occur between subsidiaries and divisions within the Group companies and are eliminated on consolidation of the financial statements. Transactions between the holding company, its subsidiaries and associated companies relate to fees and interest and these are reflected as income in the Company's income statement.				
Transactions with subsidiary companies				
– Management fees from subsidiaries	**–**	–	**4 104**	6 805
– Preference dividends from subsidiaries	**–**	–	**6 425**	9 584
Transactions with associate company (note 11)				
– Interest received	**1 122**	1 112	**–**	–
– Management fees received	**3 840**	3 840	**–**	–

M Abel, the Group CEO and hence a related party to the Group, provides financing facilities. Amount utilised Rnil (2008: Rnil). The transactions are at arm's length and are concluded under terms and conditions that are no less favourable than those available from third parties.

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

M Abel, AT McMillan and DC Seaton are party to share-based incentives made available through the Share Trust.

During the year, the Company paid R462 820 (2008: R470 073) to Thoth Consulting CC, being a related party to DC Seaton, for consulting services rendered.

30. CAPITAL COMMITMENTS

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

31. CHANGE IN COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified or restated to conform with changes in accounting policies or presentation in the current year.

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
32. OPERATING LEASE COMMITMENTS				
Operating lease commitments				
Future operating lease charges for property, plant and equipment				
Payable within one year				
– premises	777	2 367	586	522
– vehicles and equipment	3 509	1 813	–	–
	4 286	4 180	586	522
Payable two to five years				
– premises	717	859	154	574
– vehicles and equipment	2 166	830	–	–
	2 883	1 689	154	574

There are no lease commitments beyond the five-year period.

Leases on some premises are subject to escalation with renewal options at the Group's discretion.

	Human Capital Outsourcing R'000	Human Capital Development R'000	Central Services R'000	Group Consolidated R'000
33. SEGMENTAL ANALYSIS				
2009				
Revenue: sales to external customers	478 101	45 400	–	523 501
Revenue: inter-segment revenue	–	822	–	822
Share of loss from associate	–	–	(225)	(225)
Operating profit/(loss)	19 214	2 036	(3 766)	17 484
Net profit before taxation	3 914	5 088	6 531	15 533
Capital additions	314	1 045	114	1 473
Depreciation	919	605	136	1 660
Taxation	(61)	3 779	27	3 745
Assets	90 365	22 139	22 533	135 037
Liabilities	2 733	63 374	(5 792)	60 315
2008				
Revenue: sales to external customers	501 715	38 163	–	539 878
Revenue: inter segment revenue	–	138	–	138
Share of profit from associate	–	–	97	97
Operating profit/(loss)	27 758	2 710	(8 696)	21 772
Net profit/(loss) before taxation	19 201	409	1 398	21 008
Capital additions	1 176	360	523	2 059
Depreciation	1 220	541	105	1 866
Taxation	3 518	(133)	(231)	3 154
Assets	114 491	17 573	6 334	138 398
Liabilities	53 234	62 556	(45 485)	70 305

All segments traded in South Africa during the current year.

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

The Human Capital Outsourcing segment provides flexible staffing solutions.

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

34. BUSINESS COMBINATIONS

Denverdraft

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

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

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

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

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

The purchase consideration has been discharged as follows :

An amount of R1,7 million was paid in December 2008.

An amount of R0,5 million was paid in August 2009.

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

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

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

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
35. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION				
GROUP – 2009				
Non-current assets	4 561	–	19 503	24 064
Equipment and vehicles	–	–	4 229	4 229
Goodwill	–	–	10 135	10 135
Intangible assets	–	–	642	642
Long-term receivables	4 227	–	–	4 227
Investment in associate company	334	–	–	334
Deferred taxation	–	–	4 497	4 497
Current assets	99 323	–	1 522	100 845
Inventories	–	–	965	965
Trade and other receivables (excluding prepayments) *	71 548	–	–	71 548
Prepayments	–	–	557	557
Cash and cash equivalents	27 775	–	–	27 775
Total assets	103 884	–	21 025	124 909
Non-current liabilities				
Interest-bearing borrowings	–	184	–	184
Current liabilities	–	56 789	–	56 789
Bank overdraft	–	29 547	–	29 547
Taxation	–	1 473	–	1 473
Current portion of interest-bearing borrowings	–	181	–	181
Trade and other payables *	–	25 588	–	25 588
Total liabilities	–	56 973	–	56 973

** Excludes Value Added Tax.*

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
35. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION (CONTINUED)				
GROUP – 2008				
Non-current assets	6 275	–	19 047	25 322
Equipment and vehicles	–	–	4 416	4 416
Goodwill	–	–	9 605	9 605
Intangible assets	–	–	676	676
Long-term receivables	3 602	–	–	3 602
Investment in associate company	2 673	–	–	2 673
Deferred taxation	–	–	4 350	4 350
Current assets	101 208	–	1 643	102 851
Inventories	–	–	863	863
Trade and other receivables (excluding prepayments) *	84 848	–	–	84 848
Prepayments	–	–	516	516
Taxation	–	–	264	264
Cash and cash equivalents	16 360	–	–	16 360
Total assets	107 483	–	20 690	128 173
Non-current liabilities				
Interest-bearing borrowings	–	363	–	363
Current liabilities	–	65 772	–	65 772
Bank overdraft	–	35 312	–	35 312
Short-term vendor obligation	–	500	–	500
Current portion of interest-bearing borrowings	–	176	–	176
Trade and other payables *	–	29 784	–	29 784
Total liabilities	–	66 135	–	66 135

** Excludes Value Added Tax.*

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
35. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION (CONTINUED)				
COMPANY – 2009				
Non-current assets	**6 939**	**–**	**54 281**	**61 220**
Equipment and vehicles	–	–	556	556
Investments in subsidiaries	–	–	53 055	53 055
Investment in associate company	–	–	–	–
Loans and receivables	6 939	–	–	6 939
Deferred taxation	–	–	670	670
Current assets	**104 427**	**–**	**77**	**104 504**
Loans receivable	75 294	–	–	75 294
Inventories	–	–	10	10
Trade and other receivables (excluding prepayments) *	2 473	–	–	2 473
Prepayments	–	–	67	67
Cash and cash equivalents	26 660	–	–	26 660
Total assets	**111 366**	**–**	**54 358**	**165 724**
Current liabilities				
Loans and payables	–	75 090	–	75 090
Taxation payable	–	428	–	428
Trade and other payables *	–	5 174	–	5 174
Total liabilities	**–**	**80 692**	**–**	**80 692**
COMPANY – 2008				
Non-current assets	4 461	–	55 600	60 061
Equipment and vehicles	–	–	578	578
Investments in subsidiaries	–	–	53 197	53 197
Investment in associate company	–	–	1 738	1 738
Loans and receivables	4 461	–	–	4 461
Deferred taxation	–	–	87	87
Current assets	78 747	–	10	78 757
Loans receivable	64 708	–	–	64 708
Inventories	–	–	10	10
Trade and other receivables *	112	–	–	112
Cash and cash equivalents	13 927	–	–	13 927
Total assets	83 208	–	55 610	138 818
Current liabilities				
Loans and payables	–	43 038	–	43 038
Taxation payable	–	259	–	259
Trade and other payables *	–	8 195	–	8 195
Total liabilities	–	51 492	–	51 492

** Excludes Value Added Tax.*

36. SENSITIVITY ANALYSIS

Interest rate risk

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

Interest rate sensitivity analysis

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

			Increase in interest rate 2%		Decrease in interest rate 2%	
	Carrying amount	Amount exposed to risk	Profit	Other movements in equity	Profit	Other movements in equity
2010 Sensitivity forecast						
Financial assets						
Cash and cash equivalents	**27 775**	**27 775**	**617**	–	**(606)**	–
Impact of financial assets on profit before tax	–	–	**617**	–	**(606)**	–
Corporate tax charge	–	–	**(173)**	–	**170**	–
Impact of financial assets on profit after tax	–	–	**444**	–	**(436)**	–
Financial liabilities						
Bank borrowings	**29 547**	**29 547**	**(671)**	–	**684**	–
Instalment sale agreements	**365**	**365**	**(1)**	–	**1**	–
Impact of financial liabilities on profit before tax	–	–	**(672)**	–	**685**	–
Corporate tax charge	–	–	**188**	–	**(192)**	–
Impact of financial liabilities on profit after tax	–	–	**(484)**	–	**493**	–
Total (decrease)/increase after tax	–	–	**(40)**	–	**57**	–
2009 Sensitivity forecast						
Financial assets						
Cash and cash equivalents	16 360	16 360	363	–	(356)	–
Impact of financial assets on profit before tax	–	–	363	–	(356)	–
Corporate tax charge	–	–	(102)	–	100	–
Impact of financial assets on profit after tax	–	–	261	–	(256)	–
Financial liabilities						
Bank borrowings	35 312	35 312	(817)	–	802	–
Instalment sale agreements	539	539	(2)	–	2	–
Impact of financial liabilities on profit before tax	–	–	(819)	–	804	–
Corporate tax charge	–	–	229	–	(225)	–
Impact of financial liabilities on profit after tax	–	–	(590)	–	579	–
Total (decrease)/increase after tax	–	–	(329)	–	323	–

	Contractual undiscounted cash flows from: *	1 month #	2 to 3 months	4 to 6 months	7 to 12 months	More than a year	Carrying amount
37.	**FINANCIAL ASSETS – MATURITY ANALYSIS**						
	GROUP – 2009						
	Loans receivable	**–**	**–**	**–**	**–**	**4 227**	**4 227**
	Trade and other receivables	**32 940**	**19 118**	**3 053**	**1 898**	**25 224**	**82 233**
	Cash and cash equivalents	**27 775**	**–**	**–**	**–**	**–**	**27 775**
		60 715	**19 118**	**3 053**	**1 898**	**29 451**	**114 235**
	GROUP – 2008						
	Loans receivable	–	–	–	–	3 602	3 602
	Trade and other receivables	49 957	21 508	5 735	1 434	16 955	95 589
	Cash and cash equivalents	16 360	–	–	–	–	16 360
		66 317	21 508	5 735	1 434	20 557	115 551
	FINANCIAL LIABILITIES – MATURITY ANALYSIS						
	GROUP – 2009						
	Finance lease obligations	**19**	**37**	**56**	**112**	**253**	**365**
	Trade and other payables	**25 954**	**233**	**167**	**408**	**2 168**	**28 930**
	Purchase consideration owing in respect of business combination	**–**	**–**	**–**	**–**	**–**	**–**
	Bank borrowings **	**29 547**	**–**	**–**	**–**	**–**	**29 547**
		55 520	**270**	**223**	**520**	**2 421**	**58 842**
	GROUP – 2008						
	Finance lease obligations	20	40	59	119	416	539
	Trade and other payables	25 936	5 224	45	4 916	133	33 954
	Purchase consideration owing in respect of business combination	–	500	–	–	–	500
	Bank borrowings **	35 312	–	–	–	–	35 312
		61 268	5 764	104	5 035	549	70 305

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

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

 # 1 Month – includes amounts payable on demand.

Contractual undiscounted cash flows from: *	1 month #	2 to 3 months	4 to 6 months	7 to 12 months	More than a year	Carrying amount
38. FINANCIAL ASSETS – MATURITY ANALYSIS						
COMPANY – 2009						
Loans receivable	**82 233**	–	–	–	–	**82 233**
Trade and other receivables	**2 540**	–	–	–	–	**2 540**
Cash and cash equivalents	**26 660**	–	–	–	–	**26 660**
	111 433	–	–	–	–	**111 433**
COMPANY – 2008						
Loans receivable	69 169	–	–	–	–	69 169
Trade and other receivables	112	–	–	–	–	112
Cash and cash equivalents	13 927	–	–	–	–	13 927
	83 208	–	–	–	–	83 208
FINANCIAL LIABILITIES – MATURITY ANALYSIS						
COMPANY – 2009						
Loans from subsidiaries	**75 090**	–	–	–	–	**75 090**
Trade and other payables	**5 176**	–	–	–	–	**5 176**
Taxation payable	–	–	–	**428**	–	**428**
	80 266	–	–	**428**	–	**80 694**
COMPANY – 2008						
Loans from subsidiaries	43 038	–	–	–	–	43 038
Trade and other payables	8 261	–	–	–	–	8 261
Taxation payable	–	–	–	259	–	259
	51 299	–	–	259	–	51 558

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

 # 1 Month – includes amounts payable on demand.

DETAILS OF SUBSIDIARY COMPANIES AND ASSOCIATE COMPANY

for the year ended 31 December 2009

	Country of incorporation	Ordinary share capital R	Portion held directly or indirectly by holding Company %	Book value of shares at cost R	Class A preference share capital R	Portion held directly or indirectly by holding Company %	Class B preference share capital R	Portion held directly or indirectly by holding Company %	Amount owing by/(to) subsidiaries 2009 R'000	Amount owing by/(to) subsidiaries 2008 R'000
African Recruitment Manpower (Proprietary) Limited	South Africa	160	100,0	160					**(841)**	(841)
Bathusi Recruitment (Proprietary) Limited*	South Africa	100	49,0	49					**–**	–
Empvest Outsourcing (Proprietary) Limited*	South Africa	1 000	35,8	482					**991**	502
Ibiza Trading 7 (Proprietary) Limited	South Africa	100	100,0	–					**(255)**	(255)
Primeserv ABC Recruitment (Proprietary) Limited	South Africa	100	74,2	74	370	100	448	74,2	**15 763**	15 763
Primeserv Corporate Solutions (Proprietary) Limited	South Africa	100	74,2	74	37	100	618	74,2	**–**	863
Primeserv Denverdraft (Proprietary) Limited	South Africa	100	100,0	100					**2 349**	1 700
Primeserv Employee Solutions (Proprietary) Limited	South Africa	100	74,2	74	392	100	276	74,2	**(57 698)**	(38 447)
Primeserv Productivity Services (Proprietary) Limited	South Africa	100	100,0	100					**1 434**	1 859
Primeserv Recruitment (Proprietary) Limited	South Africa	100	100,0	100					**(3 164)**	(3 164)
Primeserv Staff Dynamix (Proprietary) Limited	South Africa	100	74,2	100					**794**	1 590
Primeserv Technical Training (Proprietary) Limited	South Africa	100	74,2	100					**–**	–
Primeserv Training (Proprietary) Limited	South Africa	100	100,0	100					**41 124**	41 867
Privest International Limited	Jersey	30	100,0	30					**–**	564
Thuso Outsourcing (Proprietary) Limited	South Africa	100	70,0	70					**(331)**	(331)
Primeserv Properties 1 (Proprietary) Limited	South Africa	100	100,0	100					**19**	–
Primeserv Properties 2 (Proprietary) Limited	South Africa	100	100,0	100					**19**	–
				1 813					**204**	21 670
								Amounts owing to subsidiaries	**(75 090)**	(43 038)
								Amounts owing by subsidiaries	**75 294**	64 708
									204	21 670

NOTES

Bathusi Staffing Services (Proprietary) Limited became an associate with effect from 29 January 2005 and was therefore deconsolidated from the Group's results and equity accounted as from that date. The Group holds a 45 % (2008: 45%) interest in the associate.

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

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

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

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

Primeserv Properties 1 (Proprietary) Limited and Primeserv Properties 2 (Proprietary) Limited are the subsidiaries nominated to hold properties.

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

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

** 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.*

ANALYSIS OF SHAREHOLDING

as at 31 December 2009

	Number of shareholders	Number of shares held	% shareholding
PORTFOLIO SIZE			
1 – 50 000 shares	476	3 323 952	2,5
50 001 – 500 000 shares	93	15 561 361	11,8
500 001 – 5 000 000 shares	31	42 158 780	31,9
over 5 000 000 shares	5	71 018 650	53,8
	605	132 062 743	100,0
CATEGORY			
Directors (beneficial, direct and indirect) and management *	11	54 662 784	41,4
Nominee companies and schemes	2	9 200	–
Individual and other corporate bodies	592	77 390 759	58,6
	605	132 062 743	100,0
INTERESTS OF 5% OR GREATER			
M Abel		18 736 169	14,2
Trade-Off 3029 CC		16 158 745	12,2
The Privest Group Limited Share Trust		15 962 247	12,1
Primeserv Productivity Services (Proprietary) Limited (treasury shares)		10 645 489	8,1
The Boles Family Trust (Cession)		9 516 000	7,2
		71 018 650	53,8
SHAREHOLDER SPREAD			
Total non-public shareholders *	11	54 662 784	41,4
Public shareholders	594	77 399 959	58,6
	605	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.*

MARKET STATISTICS

for the year ended 31 December 2009

	2009	2008
JSE LIMITED PERFORMANCE PER SHARE		
Year-end closing market price of ordinary shares (cents)	**40**	40
High closing market price of ordinary shares (cents)	**66**	85
Low closing market price of ordinary shares (cents)	**25**	40
Volume of shares traded (million)	**12**	14
Value of shares traded (R'000)	**4 985**	10 354
NUMBER OF SHARES IN ISSUE		
Opening balances (including treasury and Share Trust shares)	**132 062 743**	132 062 743
Closing balances (including treasury and Share Trust shares)	**132 062 743**	132 062 743
Market capitalisation at year-end (R'000)	**52 825**	52 825
Market capitalisation at year-end excluding treasury and Share Trust shares (R'000)	**42 182**	44 324

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 eleventh annual general meeting of the shareholders of Primeserv Group Limited ("Primeserv") will be held at The Polo Room, Inanda Club, 1 Forrest Road, Inanda, Sandton at 09:00 on Friday, 2 July 2010, for the following:

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

AS ORDINARY RESOLUTIONS

1. To receive and consider the Company financial statements and Group financial statements for the year ended 31 December 2009.

2. To confirm the appointment of the Company's auditors, PKF (Jhb) Inc, as independent auditors of the Company and to appoint Ben Frey as the designated auditor for the following year.

3. To re-elect directors who retire by rotation in accordance with the Company's Articles of Association.

The following directors retire by rotation in accordance with the Company's Articles of Association:
- S Klein
- R Sack
- CS Shiceka

3.1 To re-elect as director Prof 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 (51)
B(Econ), MBA, PhD

Saul Klein is an Independent Non-Executive Director of Primeserv Group Limited and was appointed to the Board in 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.

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

Raphael Sack (42)
BComm, BCompt (Hons), CA(SA)

Raphael has been with the Group for four years and has been a director of various of the subsidiary companies during that time. Prior to this he was the Financial Director of various other companies including Spanjaard Limited, a company also listed on the JSE.

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

Cleopatra Shiceka (45)
BA Law, HDip Tax Law

Cleopatra is currently the General Counsel of Transnet Freight Rail, responsible for legal services and compliance. She previously held the same position at the Transnet National Port Authority. She currently serves as General Counsel on the Executive Board of the Union of African Railways, a specialised agency of the African Union. She also serves on a committee that advises the Executive Board of the International Association of Railways (UIC) in Paris. She is a Non-Executive Director of Gabcon. Cleopatra has significant local and international commercial and regulatory experience in the freight and logistics industry, both from a maritime and intermodal perspective. She was previously a consultant in the specialised finance department of one of South Africa's leading investment banks. Cleopatra holds a Bachelor of Arts in Law and Bachelor of Laws degrees from the University of Swaziland and a Higher Diploma in Tax Law from the University of the Witwatersrand.

4. To elect and confirm the members of the Audit, Governance and Risk Committee

4.1 To elect as Audit, Governance and Risk Committee member Mr DL Rose for the ensuing year.

David L Rose (68)
BCom, BA, CA(SA), F.Inst.D

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

4.2 To elect as Audit, Governance and Risk Committee member Prof S Klein for the ensuing year.

4.3 To elect as Audit, Governance and Risk Committee member Mrs CS Shiceka for the ensuing year.

5. To authorise the Remuneration and Nomination Committee to confirm the remuneration of the directors for the year ended 31 December 2009, as outlined in note 24 on page 55, and to determine the remuneration of the directors for the year ending 31 December 2010.

6. To confirm the remuneration payable to the non-executive directors of the Company for the 2010 financial year as follows:

Chairman	R130 000
Non-Executive Directors	R115 000
Chairman of the Audit, Governance and Risk Committee	R125 000
Audit, Governance and Risk Committee member	R60 000
Chairman of the Remuneration and Nomination Committee	R45 000
Remuneration and Nomination Committee member	R20 000
Chairman of the Transformation Committee	R40 000
Transformation Committee member	R15 000

7. That the authorised but unissued share capital of the Company be placed at the disposal and under the control of the directors of the Company and the directors are hereby authorised and empowered to issue shares in regard to:

7.1 Acquisition issues;

7.2 Issues of shares for cash as set out in Resolution Number 8;

7.3 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 7 to become effective.

8. Subject to the passing of Ordinary Resolution number 7, 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 and the party subscribing for securities.

Ordinary Resolution Number 8 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.

9. 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.

10. In terms of Schedule 14 of the Listings Requirements of the JSE Limited and in accordance with section 222 of the Companies Act, No 61 of 1973, as amended, where applicable, that the Company hereby amends and restates the Primeserv Group Limited Share Incentive Scheme incorporated in the Primeserv Group Limited Share Trust by the substitution in their entirety of the existing terms of the Trust with the amended and restated terms of the Trust, which amended and restated terms have been tabled at this annual general meeting and initialled by the Chairman for identification, the salient terms and conditions of which are as set out in Annexure A attached to the notice of annual general meeting of which this resolution forms a part and are set out on pages 74 and 75 of the annual report to which the notice is attached.

Note: In accordance with schedule 14 of the Listings Requirements of the JSE Limited ("Listings Requirements") the amendments to the terms of the Trust are required to be approved by the passing of an ordinary resolution (requiring 75% majority of votes cast in favour of such resolution by equity securities holders present or represented by proxy at the annual general meeting to approve such resolution, in the determination of which, all votes attaching to equity securities owned or controlled by persons who are existing participants of the trust shall be excluded). In compliance with Schedule 14.6 and 14.7 of the Listings Requirements a summary of the principal terms of the Trust, together with the notice of the annual general meeting and the amended and restated terms (both in marked-up format showing the exact changes to the current terms and in clean format) have been available for inspection by shareholders during normal business hours at the registered office of the company for a period of not less than 14 (fourteen) days prior to this meeting.

AS SPECIAL RESOLUTION

11. SPECIAL RESOLUTION NUMBER 1

Resolved that, as a general approval contemplated in terms of Sections 85(2) and 85(3) of the Companies Act 61 of 1973, as amended ("Existing Companies Act") or as contemplated in Section 48 of the Companies Act 71 of 2008, as amended ("New Companies Act") (the Existing Companies Act and the New Companies Act being hereinafter collectively referred to as "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 is hereby approved, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles of Association of the Company, the provisions of the Companies Act and the JSE Listings Requirements, where applicable, and provided that:

- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of this special resolution number 1, whichever period is shorter;
- in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be no more than 10% (ten percent) above the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty percent) of the Company's issued ordinary share capital from the date of the grant of this general authority;
- the Company and the Group are in a position to repay their debt in the ordinary course of business for the following year after the date of this notice of annual general meeting;
- the consolidated assets of the Company, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the consolidated liabilities of the Company for the following year after the date of this notice of annual general meeting;
- the ordinary capital and reserves of the Company and the Group are adequate for the next twelve months after the date of this notice of annual general meeting;
- the available working capital is adequate to continue the operations of the Company and the Group in the following year after the date of this notice of annual general meeting;
- before entering the market to proceed with the repurchase, the Company's Sponsor has complied with its responsibilities contained in Section 2.12 of Schedule 25 of the JSE Listings Requirements;
- after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made on SENS and in the press; and
- the Company appoints only one agent to effect any repurchase(s) on its behalf.

Reason for and effect of Special Resolution Number 1

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

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

The Company may not enter the market to proceed with the repurchase until Primeserv's sponsor, Deloitte & Touche Sponsor Services (Pty) Limited, has confirmed the adequacy of Primeserv's working capital for the purpose of undertaking a repurchase of shares in writing to the JSE.

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

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

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 3)
- Major shareholders of Primeserv (page 69)
- Directors' interests in securities (page 35)
- Share capital of Primeserv (page 53)

Material Change

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

Directors' Responsibility Statement

The directors, whose names are given on page 3 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all such information required by law and the JSE Listings Requirements.

Litigation Statement

In terms of Section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on page 3 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.

Voting Instructions

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

If you are a certificated or dematerialised shareholder with "own name" registration and unable to attend the annual general meeting of ordinary shareholders to be held be held at the The Polo Room, Inanda Club, 1 Forrest Road, Inanda, Sandton at 09:00 on Friday, 2 July 2010 and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions therein. If you have dematerialised your shares with a Central Securities Depository Participant ("CSDP") or broker (other than "own name" dematerialised shareholders), you must arrange with them to provide you with the necessary Letter of Representation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker in the manner and cut-off time stipulated therein.

A proxy form is enclosed for use at this eleventh annual general meeting. Proxy forms should be forwarded to reach the share transfer secretaries not later than 09:00 on Wednesday, 30 June 2010.

By order of the Board

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

Johannesburg

12 March 2010

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

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

ANNEXURE A

SUMMARY OF THE PROPOSED AMENDMENTS AND REVISED TERMS OF THE PRIMESERV GROUP LIMITED SHARE TRUST ("THE TRUST")

Amendments to the Trust

On 15 October 2008, the JSE Limited replaced Schedule 14 of the Listings Requirements in its entirety with a new Schedule 14 which requires all existing trusts to be rendered conformant with the revised Schedule 14 by not later than 1 January 2011. The amendments to the Trust are primarily designed to render the Trust conformant with the revised Schedule 14 and to update it in conformance with best practice.

For convenience, the Company is proposing to substitute, in their entirety, the existing terms of the Trust with the amended and restated terms. The amended and restated terms are the same as the terms of the existing deed of Trust, save for the following key proposed amendments:

Key Amendments (Please note defined terms have the meaning ascribed to them in the Trust deed):

- The back dating of options is prohibited;
- The "rolling over" of the Scheme Allocation is prohibited;
- There shall be a minimum of two and a maximum of four Trustees;
- No executive director of the Company may accept appointment as a Trustee of the Trust;
- A Trustee who is a director of the Company shall cease to hold office as Trustee if he ceases, for any reason, to be a director of the Company;
- The Trust has been specifically empowered to acquire Shares on the open market or otherwise. Shares purchased through the open market for the purpose of the Trust shall not be taken into account when calculating the number of Shares authorised to be utilised by the Trust for Offerees;
- The aggregate number of Allocation Shares which may be held by the Trust has been amended from twenty six million four hundred and twelve thousand five hundred and forty eight to twenty million and the detail regarding such Shares has been amended;
- The maximum number of Shares which may be acquired by an individual Participant has been amended from five million Shares to ten million Shares, provided that no such maximum imposed shall be less than the number of Scheme Shares which the Participant has already acquired, and provided that where the Offer or Options have been issued in terms of the existing scheme prior to these amendments, same will not be affected by the changes;
- The level of detail of the Trust provisions has been expanded in relation to
  - the level of indemnity given by the Trust to Trustees;
  - the conditions applying to an Offer or Option until the purchase price has been paid to the Trustees;
  - the pledge over the Shares pending payment;
- Shares may only be offered to the Trustees or options granted to the Trustees once Participants or groups of Participants to whom Shares will be allocated have been identified;
- Upon termination of the Trust, any surplus remaining in the Trust may be applied by the Company in such manner and at such times as the Board shall, in its sole discretion, determine;
- The Board may, when a Participant to whom Shares will be allocated has been identified, offer Shares to the Trustees and grant options to the Trustees, and simultaneously authorise the Trustees to Offer such Shares or grant Options to Participants. To the extent a director may be the recipient of an award, such director shall recuse himself from the decision in this regard;
- The purchase price of the Shares and Options granted to the Trustees, and the purchase price payable by Participants to the Trustees is the volume weighted average price for a Share for the previous twenty trading days on the JSE or in the case of Shares acquired through the open market or acquired from a Participant, the purchase price paid in respect of such Shares;
- The acquisition of Shares by the Trustees other than by way of an offer by the Board, shall be undertaken by the Trustees in a manner directed by the Board and in accordance with the Listings Requirements;
- All Offers of Shares or Options granted to a person who is a non-resident in the Republic of South Africa shall be subject to the provisions of the South African Exchange Control Regulations;
- The Board in its sole discretion may direct the Trustees to make Offers or grant Options in respect of Shares, which are not Reserved Shares, and sets out the detail to be provided in regard to such direction;
- If any part of the purchase price is not paid by the due date, the Trustees are entitled to cancel the sale of Shares and the granting of Options and following on such cancellation, *inter alia*, the Participant concerned shall be liable for damages suffered by the Trust in consequence thereof;
- The Trust provides, in the event of a sub-division or consolidation, for an adjustment to the number of equity securities that may be utilised and the amount payable. Such adjustment must give a Participant entitlement to the same proportion of the equity capital as that to which the Participant was previously entitled. The Company's auditors or other independent advisors must confirm to the JSE that such adjustments are made in accordance with the provisions of the Trust deed. In addition, to the extent that there is a capitalisation issue, special dividend, a rights issue or reduction of capital, the individual limits and the amounts payable may be adjusted on the same basis;
- The disclosure required to be given by the Company in its annual financial statements has been amended to accord with the provisions of the revised Schedule 14;
- Allocated Shares which are not subsequently issued to identified Participants, for any reason, revert back to the Scheme;
- The Company is entitled to issue new Shares to any party on such terms and conditions as the Board may determine and the Participants will have no action arising from any such issue of Shares to any party;
- The Trust is not entitled to make or retain any profit on the resale of Shares acquired by it from any Participant and the Trust cedes to the Company or the subsidiary which employed the Participant its right to any profit which may arise from such resale;

ANNEXURE A continued

- The provisions relating to amendments to the Trust and the Scheme have been expanded to accord with the revised Schedule 14;
- The Trust Deed includes clauses to specifically bind the Company.

Save in regard to the amendments set out above, which amendments are required to render the Trust in conformity with the provisions of the revised Schedule 14, and/or to reflect best practice, the Trust remains unchanged from the existing deed of Trust.

Below is a revised and updated summary of the principal terms of the Trust prepared on the basis that the proposed amendments are adopted.

Establishment of the Trust

The Trust is intended to incentivise employees of the Company to promote the combined interests of the Company and all its stakeholders, and to promote the continued successful growth of the Company by giving employees an opportunity to acquire Shares in the capital of the Company and assisting them in acquiring the aforesaid Shares.

Appointment of Trustees

There shall at all times be a minimum of two Trustees and a maximum of four Trustees. No person who is a Trustee shall be entitled to be a Participant under the Trust. No person who is an executive director is entitled to be a Trustee. The current Trustees are Mr J Michael Judin and Mr Anthony Cohen.

Powers of Trustees

The Trustees are conferred with all powers necessary to implement and administer the Trust.

Duties of Trustees

Along with the other duties imposed by the Trust deed, the Trustees shall make Offers and grant Options as directed by the Board, from time to time, and shall ensure that the Trust is effected in accordance with its terms.

Funding

All costs incurred by the Trust shall be met out of the Trust's own resources (if any), or by loans to be made to the Trust by the Company, or by third parties to the Trust (which loans shall be procured by the directors).

Eligibility

Employees shall be eligible to and shall participate in the Scheme to the extent that Offers and Options are made to and accepted by them.

The Board may from time to time direct the Trustees to make Offers and/or grant Options in respect of Unreserved Shares. To the extent that any director may be the recipient of an award, such director shall recuse himself from the decision making process in this regard.

Continued employment is a condition of exercising Options and purchasing Shares, subject to limited exceptions such as retirement and death.

Purchase Price

The purchase price for any Shares awarded in terms of an Offer or Option is the average volume weighted price of a share on the JSE for the twenty trading days preceding the Offer or Option Date, as the case may be. The back dating of Options is prohibited.

Limitation

The maximum number of Shares that may be utilised by the Trust is twenty million Shares. The maximum number of Shares that may be the subject of an award to any one employee is ten million Shares. Where Offers have been made or Options granted under the terms of the existing Scheme prior to these amendments coming into effect, the offers and Options will not be affected by the required changes to the Scheme.

Upon any Participant paying the outstanding purchase price in respect of Scheme Shares in full, such Shares and any Capitalisation Shares linked thereto shall cease to be Scheme Shares and any burden attaching to such Shares in terms of the Trust deed shall cease.

Voting

In terms of Schedule 14 of the Listings Requirements, the Shares held by the Share Trust will not have its votes at any general or annual general meeting taken into account, nor will they be taken into account for the purposes of determining approval of resolutions in terms of the Listings Requirements. Such Shares will also not be allowed to be taken into account for the purpose of determining categorisations as detailed in Section 9 of the Listings Requirements.

Corporate Events and Other Adjustments

Where a merger or other corporate event occurs, the Trustees shall, if instructed by the Board, adjust the number of Options and/or grant price in order to put the employee in the same economic position in which the employee was prior to the corporate event. The Trust provides, in the event of sub-division or consolidation of the Shares, for a mandatory adjustment to the number and/or grant price of Options so as to give a Participant entitlement to the same proportion of equity capital to which the Participant was previously entitled.

Reporting and Reversion of Unissued Shares

Additional reporting obligations have been imposed on the Company in accordance with the revised Schedule 14, in particular the Company must summarise in its annual financial statements the number of securities that may be utilised for purposes of the Trust at the beginning of the financial year, changes during the accounting period and the balance of securities available for utilisation for the purposes of the Trust at the end of the financial year. In addition, any adjustments made to the Trust limits in the event of sub-division or consolidation, capitalisation issues, special dividends, rights issues or reductions of capital must be reported in the annual financial statements in the year during which the adjustment is made. The Company's auditors or other independent advisors to the JSE must confirm to the JSE in writing that any adjustments made are in accordance with the provisions of the Trust at that time.

Termination of the Trust

The Trust shall terminate as soon as it ceases to hold any Scheme Shares, all Options have been exercised or have lapsed, it has received payment in full of all amounts owed to it by Participants, where none of the Participants has any further right to call upon the Trustees to purchase any Scheme Shares, if applicable, and the Board so resolves.

SHAREHOLDERS' DIARY

FINANCIAL YEAR-END	31 December 2009
REPORTS ON PROFIT STATEMENTS AND MEETINGS	
Audited results published	12 March 2010
Annual report published	June 2010
Annual general meeting	2 July 2010
NEXT FINANCIAL YEAR-END	31 December 2010
REPORTS ON PROFIT STATEMENTS AND MEETINGS *	
Half-year interim report to be published	September 2010
Audited results to be published	March 2011
Annual report to be published	March 2011
Annual general meeting	May 2011

* *These dates are subject to change*

ADMINISTRATION

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

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

PO Box 3008, Saxonwold 2132

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

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

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

LEGAL ADVISORS
Cliffe Dekker Inc.

DM Kisch Inc.

Edward Nathan Sonnenbergs

Peter W Wentzel Attorney

CORPORATE ADVISORS
Thoth Consulting CC

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

Private Bag X6, Gallo Manor, 2052

BANKERS
FirstRand Bank Limited

Investec Bank Limited

MERCHANT BANK
Investec Bank Limited

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

Postnet Suite 200
Private Bag X30500
Houghton, 2041

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

PO Box 61051, Marshalltown, 2107

CORPORATE COMMUNICATIONS
Bairds Renaissance (Pty) Limited

Graphiculture (Pty) Limited

GLOSSARY

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

FORM OF PROXY

PRIMESERV GROUP LIMITED

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

For the use by certificated or "own name" dematerialised shareholders of Primeserv for the eleventh annual general meeting of Primeserv Group Limited to be held at The Polo Room, Inanda Club, 1 Forrest Road, Inanda, Sandton at 9:00 on Friday, 2 July 2010 ("the annual general meeting").

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

I/We ____

(Name/s in block letters)

of (address) ____

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

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

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Resolution number 1 – Adoption of financial statements			
Resolution number 2 – To confirm the reappointment of PKF (Jhb) Inc. as independent auditors of the Company and Ben Frey as the designated auditor for the following year			
Resolution number 3 – To confirm the reappointment as directors of:			
3.1 S Klein			
3.2 R Sack			
3.3 CS Shiceka			
Resolution number 4 – To elect the members of the Audit, Governance and Risk Committee			
4.1 DL Rose			
4.2 S Klein			
4.3 CS Shiceka			
Resolution number 5 – To authorise the Remuneration and Nomination Committee to determine the remuneration of the directors			
Resolution number 6 – To confirm the non-executive directors' remuneration			
Resolution number 7 – Directors' control over authorised but unissued share capital			
Resolution number 8 – General authority on issue of shares			
Resolution number 9 – Authority for directors or Company Secretary to implement the resolutions			
Resolution number 10 – Approval of the amendment and restatement of the Primeserv Group Limited Share Incentive Scheme			
Special resolution number 1 – General authority to repurchase shares			

Signed at ____________________ on ____________________ 2010

Signature ____

Assisted by me (where applicable)

NOTES TO THE PROXY FORM

1. A shareholder may insert the names of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairman of the meeting", but the shareholder must initial any such deletion. The person whose name appears first on the proxy and which has not been deleted shall be entitled to act as proxy to the exclusion of those names following.
2. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes.
3. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries or by the chairman of the annual general meeting before the commencement of the annual general meeting.
4. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the general meeting, be proposed, the proxy shall be entitled to vote as he/she thinks fit.
5. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded with the Company's transfer secretary or waived by the chairman of the annual general meeting.
6. His/her parent or guardian as applicable must assist a minor or any other person under legal incapacity, unless the relevant documents establishing capacity are produced or have been registered with the transfer secretaries.
7. Where there are joint holders of ordinary shares:
   - any one holder may sign the form of proxy;
   - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register) who tender a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
8. Proxies must be lodged at or posted to the Company or the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received not later than 09:00 on Wednesday, 30 June 2010.
9. Any alteration or correction made to this form of proxy other than the deletion of alternatives must be initialled by the signatory/ies.
10. The completion and lodging of this proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. The chairman of the meeting may reject or accept a proxy that is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
12. *If you have not dematerialised your shares and selected own name registration in the sub-register:*

    You may either attend the general meeting in person or complete and return the form of proxy in accordance with the instructions contained therein to the transfer secretaries.
13. *If you have dematerialised your shares through a CSDP or broker and registered them in a name other than your own name and wish to vote at the annual general meeting:*

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

GROUP OPERATIONAL TRADE NAMES AND TRADEMARKS

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

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

360° hr services

GRAPHICULTURE MAJAA43M

www.primeserv.co.za

people ▸ productivity ▸ performance™