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Primeserv Group Limited Annual Report 2004

PRIMESERV GROUP LIMITED

Annual Report 2004

Profile

Primeserv Group Limited* is listed in the Support Services – Education, Business Training & Employment Agencies sector on the JSE Securities Exchange South Africa.

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

Primeserv serves people by building their skills-sets and assisting them to apply these competencies in the workplace so as to fully realise their potential, and serves organisations by devising and implementing integrated HR solutions that drive productivity and performance efficiencies.

Through people, productivity and performance, Primeserv liberates individual and organisational potential.

Primeserv intends to enhance stakeholder wealth creation through real earnings growth.

*Primeserv or the Group.

Strategy

Primeserv focuses on leveraging the Group's HR services value chain to achieve improved margins, stronger cash flows and a sound return on investment.

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

Accordingly, the Group is committed to:

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

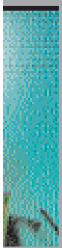
Group structure

PRIMESERV GROUP LIMITED

PRIMESERV HR SERVICES

PRIMESERV HR SOLUTIONS
- Performance Solutions
- Corporate Solutions
- Training
- Recruitment

PRIMESERV OUTSOURCING
- Flexible Staffing Solutions
- Mega Project Solutions
- Systems and Logistics



GROUP OPERATIONAL TRADE NAMES AND TRADEMARKS

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

Regional representation

The Primeserv Int**HR**grate™ Model

The Primeserv Int**HR**grate™ Model plays a key role in differentiating Primeserv HR Services as a specialised operation providing comprehensive, integrated or modular suites of benchmarked, world class HR services and solutions.

The Primeserv Int**HR**grate™ Model

BACKGROUND AND CONTEXT

The underlying premise of the Primeserv Int**HR**grate™ Model is that the HR function plays a critical custodian role in assisting business to achieve against its strategy through the effective leadership of its primary resource – its human capital. The HR strategy for any organisation is therefore directly derived from the business strategy (i.e. HR division/function is a shared service function to the organisation). It remains however, a challenge for the HR profession to demonstrate to business (executive level) this contribution in tangible terms by focusing on transactional (HR administrative, payroll, legislative) issues rather than contributing at a transformational level (strategic direction of the business, leadership, succession planning).

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

Primeserv's consulting mission is to partner with our clients in identifying and developing their HR strategies and processes that will result in the achievement of the business strategy.

In this way we differentiate ourselves from our competitors with the Primeserv Int**HR**grate™ Model which enables us to provide a comprehensive and integrated or modular suite of benchmarked world-class HR services and solutions.

Three ranges of products and services for the client:
1. Provide a modular product/service out of the full range;
2. Provide an integrated process;
3. Provide an outsourced HR service.

The model translated:

BUSINESS STRATEGY AND STRUCTURE

Do we know where we are going to and what we want to achieve? A well defined business strategy is imperative for any organisation to ensure that it directs all of its efforts (capital, equipment/machinery and human capital) towards the achievement of a stated goal/result. The strategy should have an impact on the structures (roles) created.

HR ALIGNMENT

What do we need to do with regards to our human capital to achieve our business strategy? How does the HR function/custodian contribute to the strategy? The HR function/custodian provides a service to the business by assessing, training and developing, performance monitoring, resourcing/outsourcing, maintaining and supporting the human capital and/or building the capacity within the management of the business to do so.

HR PROCESSES

What are the processes that need to be implemented to ensure that we have the best human capital to achieve our strategy? It is imperative that all HR processes are integrated so that the efforts of the human capital and the HR function are measured in tangible terms.

- Competency Assessment
  Do we assess people to ensure that we know at all times what the value/competence of our human capital is? Assessment directly influences how we recruit and place the correct levels of competence, identify and develop people with potential and meet people's career aspirations matched to future business needs and develop competencies against accurately identified training needs.
- Training and Development
  Do we train and develop against real needs and ensure that the acquired skills are translated into the workplace? The training interventions provided should meet the needs of the business, the needs of the individuals, as well as the national imperatives in terms of the critical skills shortage.
- Performance Management
  Do we have performance measures in place from strategic to operational level to track our performance against the business strategy? Performance measures are critical to track how the people (individuals), teams/divisions and the business as a whole are performing against the strategy so that short-term actions can be taken to ensure achievement of the business strategy.
- Resourcing/Outsourcing
  Where do we get the people from to perform the identified outputs which will result in the achievement of the business strategy? The right skills in the right place at the right time are key to productivity and optimal operational performance. Permanent or flexible staffing solutions provide the organisation with sustained staffing solutions aimed at ensuring measurable achievement of the business strategy.
- HR Maintenance
  Do we have efficient administrative systems in place to meet our contractual obligation to the people? HR administrative systems, payroll, reward and remuneration, health and safety and industrial relations all contribute to an individual's or group of peoples' overall satisfaction and ultimately their performance.
- HR Support
  Do we take cognisance of the emotional well-being of the people? By implementing career and succession planning processes that deal with retention strategies, HIV/AIDS, stress, management/burnout, individual coaching and counselling, and related interventions, a contribution to the overall emotional well-being of a person is effected which has a direct influence on performance.

Directorate

1 J Michael Judin†
Non-Executive Chairman (58)
Dip Law
Appointed: August 1997
Michael is a director of Johannesburg-based law firm Goldman Judin Maisels Inc. He is legal advisor to and director of The American Chamber of Commerce in South Africa. He is Non-Executive Director of Set Point Technology Holdings Limited and Nu-World Holdings Limited.

2 Merrick Abel
Chief Executive Officer (45)
BA (Hons), MBA
Appointed: August 1997
Merrick has served as CEO since founding the Group in 1997 and was Executive Chairman from 2000 to 2003. He has over seventeen years' local and international commercial experience, particularly in the industrial and services industries.

3 Nelson N Rodrigues
Chief Financial Officer (44)
BCom, B.Acc, CA(SA)
Appointed: September 2004
Nelson has over eighteen years' experience in the finance arena having worked for various companies including Nampak. He was Financial Director of two previously listed companies, namely, Woodrow Holdings Limited and Natural Health Holdings Limited.

4 Allan T McMillan
Executive Director (42)
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 twelve years. Prior to this he was involved in the financial services sector.

5 Saul Klein†*
Non-Executive Director (46)
BA (Econ), MBA, PhD
Appointed: March 1998
Saul is the Lansdowne Professor of International Business at the University of Victoria (Canada). Saul held the South African Breweries Limited Chair of International Business and was Professor of Marketing at the Wits Business School. He has also held academic appointments at leading universities in Canada, the USA, Singapore and Australia.

6 Constance Nkosi
Non-Executive Director (58)
BA, MBA, AEP
Appointed: September 2004
Constance is Executive Chairman of The Lidonga Group, an empowerment company; as well as a Non-Executive Director of Pick 'n Pay Limited; Non-Executive Chairman of First Technology (Pty) Limited and Deputy Chairman of Uthingo Management (Pty) Limited. Constance, who became the first black female to qualify from Wits Business School, is a sought after business strategist and BEE policy advisor.

7 Christopher S Seabrooke†
Non-Executive Director (51)
BCom, BAcc, MBA, FCMA
Appointed: February 2000
Christopher is Chief Executive of Sabvest Limited – a JSE listed investment group. He is Non-Executive Chairman of Massmart and of MGX, and a director of other JSE listed companies – Datatec, Primedia and Set Point Technology Holdings. Internationally he chairs a financial services group in London and sits on a number of UK and US boards.

8 Desmond C Seaton
Non-Executive Director (44)
BCom, LLB, Dip Tax
Appointed: August 2003
Desmond is a founder member of TWS Consulting, a tax and legal consultancy. He specialises in corporate, legal and tax advice. He is also a Non-Executive Director of Y3K Group Limited.

Resignations
JA Sparke resigned as an Executive Director with effect 11 August 2003.
G Magomola resigned as a Non-Executive Director with effect 8 March 2004.
PL Gray resigned as an Executive Director with effect 24 August 2004.

† Independent * American

Non-Executive Chairman's statement

It is an honour for me to present this report, my first following my reappointment – in line with the principles of King II – as Non-Executive Chairman of Primeserv. I have been associated with the Group since its inception in 1997 and I have seen the organisation grow from a conglomeration of many companies and businesses into a cohesive force which is even more relevant today in the context of South Africa's macro-economy than at any time in the past.

Why more relevant? Because as South Africa moves into its second decade of democracy, it faces new and different challenges particularly as regards our human capital.

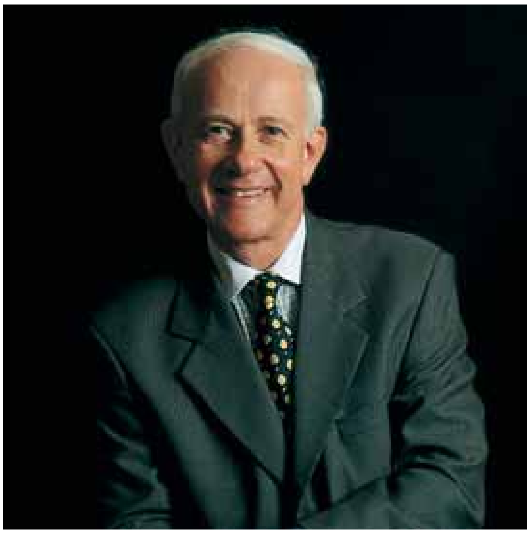
The first decade of democracy was focused on getting the fundamentals of the economy right in order to put in place a platform for growth. This has been largely achieved: inflation is under control; interest rates appear to have stabilised and the economy is starting to show signs of real, positive growth. No doubt debates about the merits or otherwise of a strong rand will continue; and factors over which South Africa has absolutely no control – such as the oil price or political events in countries far and near – will continue to impact the global economy. And because South Africa, ten years into our democracy, is very much a part of the global village, these events will impact on us too. However, South Africa's fundamentals are strong.

The challenge in the next decade will be to address issues surrounding the under-utilisation – some might say the under-performance – of South Africa's human capital. Too many people are unemployed in our country.

What concerns me even more is that too many people remain unemployable. But, perhaps most concerning of all, is the fact that too few businesses truly understand and acknowledge the value of their human capital. Too many organisations continue to pay lip-service to the concept of 'investing in human capital'. Far too few recognise that effective management of their human capital – the function of the Human Resources (HR) department – goes beyond transactional and administrative issues such as payroll and labour legislation requirements. Human capital management – like financial and operational management – has to be strategic if companies are to operate effectively in today's global and highly competitive economy. Issues like leadership, succession planning, and most importantly ensuring the alignment between skills development and the strategic direction of the business, have to find their way from the HR department into the boardroom.

These HR imperatives have underpinned Primeserv's vision since its founding in 1997.

It has been the driving force behind our business strategy over the years from our listing in 1998 at which time the Group comprised a number of vendor-managed business units; through the conclusion of some substantial acquisitions, chosen for their key skills, customers, products and services, as well as critical mass in alignment with our long-term strategy, that saw our turnover and capability grow substantially; and on to the successful merging of all these businesses into one streamlined operation with a single brand pillar, Primeserv HR Services, within the listed Primeserv Group entity.



J Michael Judin Non-Executive Chairman

It has taken a little more than five years to successfully complete the first phase of the Primeserv Group's long-term strategy – building a specialised single brand driven operation that successfully meets the human resources needs of the South African corporate, industrial and government sectors.

Has this strategy been successful?

Certainly, the Group's results in the review period were disappointing; however, this was largely because of isolated problems within a single operating division – the HR Solutions division – as well as a decision to make an impairment of R12,7 million as an exceptional once-off provision against long-term other receivables and contracts under dispute. Some of this may be recovered in time.

It is important to remember that the major problem within the Group was confined to only one division – and that this has been addressed. The rest of the Group's results – as you will see from this report – were, in fact, solid. The Colleges division turned around and our strong performance in the Outsourcing division continued, undermined only by once-off exceptional items.

Indeed, had it not been for the HR Solutions division's misfortune and the exceptional item issues, the Group would have delivered a profitable performance. Nevertheless, a solid platform on which a vibrant Primeserv Group can continue to grow has been established and Primeserv faces the future with a clear slate: the Group remains focused on its vision and believes that it is capable of delivering sustainable growth into the future.

J Michael Judin
Non-Executive Chairman
10 December 2004

Chief Executive Officer's review

Merrick Abel Chief Executive Officer

INTRODUCTION

The review period was a difficult one for Primeserv, yet much was achieved. It was the year in which our five-year strategy to provide an integrated HR services offering through a single brand-driven business model, came to fruition and showed signs of delivering on its potential. All Group operations – with the exception of the HR Solutions division – performed to expectations with the Outsourcing division once again turning in a solid performance. The Colleges division, experienced a marked turnaround from a loss in the previous year to a satisfactory profit.

It was also the year in which we made progress in the ongoing delivery of our commitment to Corporate Governance. As promised in last year's annual report, the roles of Chairman and Chief Executive Officer were separated during the review period and J Michael Judin took up the position of Non-Executive Chairman. Furthermore, we made significant strides in accelerating the implementation of our Black Economic Empowerment (BEE) strategy, culminating in the BEE transactions announced to shareholders in early December 2004.

However, it was also a year marked by significant disappointments – specifically in the HR Solutions division, which ultimately undermined the positive trading performances delivered by other Group operations and resulted in the Group posting a loss for the first time in its history.

FINANCIAL REVIEW

Despite poor results for the year, the Group nevertheless ended the review period with a materially stronger balance sheet and a significantly enhanced liquidity position.

Continued strong commitment
to Corporate Governance

The Group's poor performance was mainly as a result of a trading loss in the HR Solutions division, compounded by substantial problems in its Learnership Projects Unit, which resulted in certain projects having to be cancelled and expenses brought to book. Added to this were once-off provisions and write-offs mainly in the Outsourcing division.

Revenue was 14,4% lower at R397,2 million (2003: R464 million) but gross margins improved slightly to 22,3% (2003: 21,9%).

EBITDA before exceptional debt provisions and forex movements fell to R5,4 million from R10 million for the previous year and an operating loss of R3,5 million was incurred. A headline loss of 7,3 cents per share was recorded for the year.

The Group's decision to write off R12,7 million as an exceptional once-off provision against long-term other receivables and contracts under dispute was in line with its conservative approach to financial management. While some of this amount may be recovered in time, the Group felt it more prudent not to regard this amount as a current asset.

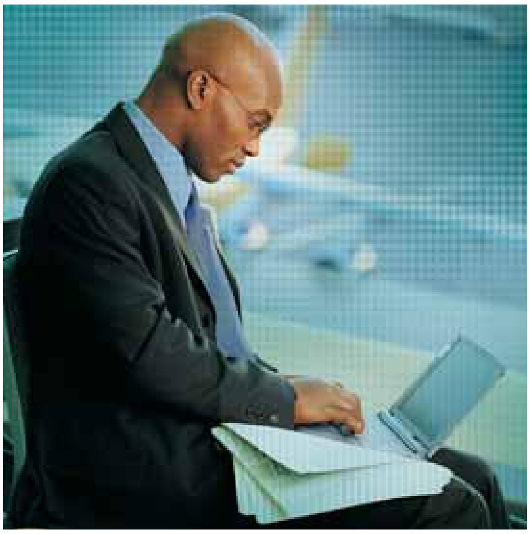
However, the Group ended the year with positive cash flow of R6,2 million and with virtually no net gearing – net borrowings were down to R1,2 million from R7,4 million in 2003 and R25 million the year before. Lower borrowings and interest rates also resulted in interest paid reducing by 50% to R2,9 million (2003: R5,8 million).

Indeed, had it not been for the HR Solutions division's weak trading combined with loss-making learnership projects, and the once off exceptional item issues, the Group would have turned in a profitable performance.

No dividend was declared for the year ended 30 June 2004.

STRATEGIC REVIEW

The Group has made significant progress towards its aim of providing an integrated HR services offering to clients through a single, brand-driven business model.



Market response to the implementation of our proprietary Primeserv Int**HR**grate™ Model during the review period has been positive. A full description of this Model is provided on pages 4 and 5 of this report. The Primeserv Int**HR**grate™ Model plays a key role in differentiating Primeserv HR Services as a specialised operation providing a comprehensive and integrated or modular suite of benchmarked, world-class HR services that successfully meet the human resources needs of the South African corporate, industrial and government sectors.

The launch of the Primeserv Int**HR**grate™ Model was the culmination of the Group's five-year strategy to develop Primeserv HR Services into a single brand and market driven, customer-centric organisation that will provide a solid pillar alongside which the Group will evolve.

As a leader in the HR sector, Primeserv HR Services remains committed to its original objective of being the complete, integrated HR services company of choice, providing clients with a value chain of economically measurable benefits. As a customer centric organisation we are aware that our customers drive our business strategy. Consequently, we continuously evaluate our product and service offerings in order to offer proactive solutions to ever-changing market requirements.

We are also strategically reviewing the life cycle of our business so as to meet the changing business environment and demands of our clients. The successful implementation of these strategies should enable the Group to grow the HR Services pillar of our organisation into the future. More specifically, we have challenged our management team to redefine their markets in order to grow their businesses into new markets and open new niches where the Group's expertise can be effectively leveraged.

The Group, meanwhile, seeks to deliver above average returns on investment for shareholders in the long-term through the development and implementation of its existing business strategy combined with a complimentary diversification strategy within the broader services sector.

The Primeserv business model and allocation of resources will therefore continue to be analysed to ensure appropriate and sustainable returns, with the Group's Central Services providing strategic direction, tactical business planning, investment and financial control of resources, risk assessment and the proactive management of the operating divisions.

OPERATIONAL REVIEW

With its inbuilt flexibility – a key feature of the Group's business model – changes within the Primeserv HR Services structure were implemented during the review period in order to better meet evolving market requirements. This included the consolidation of the Group's various operations into three distinct, self-sustaining entities: Primeserv Outsourcing, Primeserv HR Solutions and Primeserv Colleges. This process was undertaken to maximise operational efficiencies and the utilisation of inter-divisional skilled resources in order to enable effective delivery of Primeserv's Int**HR**grate™ Model to the market.

A realignment of senior management across the organisation has also taken place to complement the changes in organisational structure and to ensure ongoing delivery of the Group's strategy.

Launch of the Primeserv Int**HR**grate™ Model was the culmination of the Group's five-year strategy

PRIMESERV OUTSOURCING

The Outsourcing division – which is traditionally responsible for the bulk of the Group's revenues – continued to generate sound operating profits (R12,5 million before exceptional debt provisions) and strong cash flows for the review period. This was achieved, in part, through a stringent revenue management strategy focused on improving margins, containing costs and generating improved cash flows.

Comprising the flexible and contract staffing offerings, mega-project wage bureaus and HR and IR support services, as well as HR logistics solutions, this division has successfully completed the implementation of a strategy set out in 2002 which was designed to streamline sales in order to achieve improved operating margins and better working capital management.

In addition, reliance on cyclical project-based business has been reduced and the division is focusing on further developing contract-based business in its specialised flexible staffing services niches.

Today, with over 50 000 active personnel on its database – ranging from semi-skilled workers to highly skilled white-collar professionals – Primeserv Outsourcing is equipped to provide the flexibility needed to fulfil temporary and long-term employment contracts throughout southern Africa, as well as to manage large-scale projects internationally. It is not unusual for the division to have over 10 000 contract staff in the field at a time.

Economically measurable benefits inherent in implementing integrated HR solutions.

Its national and international client base encompasses the full spectrum of economic activity, from small and medium sized business to large commercial, multinational and parastatal organisations across more than twenty broad industry bands in which it has developed specialist expertise and intimate industry knowledge. Primeserv Outsourcing also provides HR capacity to government on local, provincial and national levels.

In line with Primeserv's Int**HR**grate™ Model, all outsourced staffing solutions are provided in an integrated and modular format. These have been designed to meet the needs of business and labour in a dynamic environment in which workplace flexibility has become essential to organisations seeking measurable productivity and economic improvements.

Primeserv Outsourcing's in depth understanding of the highly specialised requirements of an outsourcing service in a developing region like southern Africa in which a fine balance has to be achieved between the demands of organised labour, the commercial marketplace and government legislation, has resulted in the operation becoming the provider of choice for growing numbers of organisations across regional and sectoral divides.

The operation's unique strength lies in its extensive operational implementation capability, through an Africa-wide infrastructure, that matches staffing resources to capacity and production requirements. This, combined with the management of labour and industrial relations issues, controls variable costs and optimises productivity and performance, thereby enhancing the delivery of economically measurable benefits to clients.

During the year under review the division maintained its focus on revenue management and cost containment, resulting in improved margins in certain of its operating niches.

Working capital management remained sound and good cash flows have positioned the division for a resumption of sales growth.

Better than budgeted performance was achieved in the key regions of Gauteng and Kwazulu-Natal with excellent results being achieved in these regions' specialised distribution logistics and industrial flexible staffing operations. Long-term national client relationships were maintained through a process of further enhancing the delivery of customised client-focused solutions, matched by industry leading implementation processes and service levels. Market share was grown in the Kwazulu-Natal region in the areas of engineering and industrial support services.

The Cape region under-performed, due in part to higher than expected costs being incurred in the establishment of the division's hospitality services niche. The entry into the hospitality staffing market is expected to make a positive contribution in the near-term and is part of the division's focus on developing new growth markets.

Operations in Mpumalanga and Rustenburg made strides in growing their regions and improved performances are expected in the year ahead.

The division's specialised white-collar flexible staffing operation continued its good performance of the previous year. Emphasis in the year ahead will be on further developing the key relationships that exist between the professional contractor, Primeserv and the client whereby maximum service levels based on flexible work requirements are matched to the client and contractor requirements.

Further progress made in value-adding BEE initiatives.

During the review period the petro-chemical staffing unit entered into a partnership with black-owned Bathusi Staffing Services (Pty) Limited (Bathusi). This resulted in the award of a meaningful contract to the BEE venture, which in turn, has facilitated a further transfer of skills and technical capability from Primeserv to Bathusi, culminating in the sale of the Secunda branch of the division to Bathusi post this balance sheet date. This operation is positioned to provide market leading infrastructural and operational capability to South Africa's petro-chemical, construction and engineering organisations.

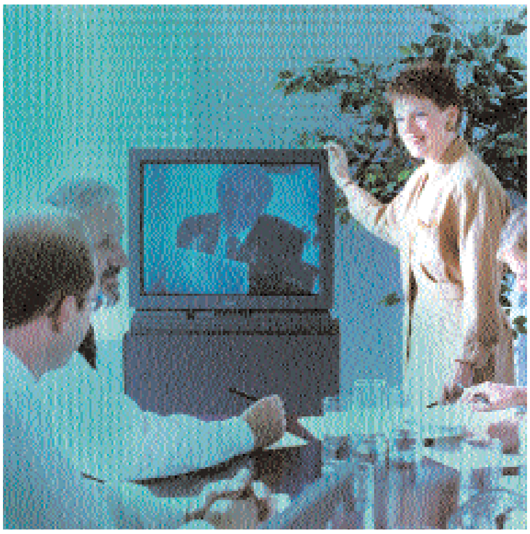
The division's BEE partnership in the Eastern Cape has not seen expected benefits of its long-term wage bureau contract on the Coega project. Delays and uncertainty on the project's future have negatively affected this unit's performance during the review period.

As was the imperative last year, emphasis remains on further improving margins, generating strong cash flows and maintaining and securing contract based revenue that ensures operational sustainability. Continued effort is being placed on the development of operational personnel and management, capable of innovating products and markets that will deliver growth. This matched with Primeserv's maintenance of the highest ethical standards and compliance with relevant legislative and statutory requirements will further ensure that the division and Primeserv maintain their position as leaders in the HR services arena.

PRIMESERV HR SOLUTIONS

This division was consolidated (as part of its evolutionary strategy) during the review period to incorporate the Primeserv Solutions, Primeserv Training and Primeserv Resourcing operations.

The HR Solutions division experienced considerable difficulties during the review period, which were largely responsible for the Group's unsatisfactory financial performance. Sales were



below budget and expenses higher than anticipated. This was exacerbated by the difficulties that arose from the Learnership Projects Unit of Primeserv Training in which a number of unviable contracts (for which costs had been incurred) were identified subsequent to the year end. These have since been cancelled.

Improved risk assessment procedures and operational changes to the division's business model were implemented subsequent to year end but it will take some time for these and other measures to filter through. The division's weak results are therefore likely to continue in the short-term.

Solutions: based in South Africa, this business unit consults internationally. The operation provides a comprehensive range of HR solutions including performance management, skills development and behavioural dynamics. Proprietary, web-enabled analytical tools and processes are used to analyse, structure and ensure a positive impact on clients' workforces so that the customised HR solutions delivered meet measurable performance objectives. Individual, team and organisational performance is enhanced through the development of operational, leadership and behavioural competence, as well as through effective industrial relations and remuneration consulting services.

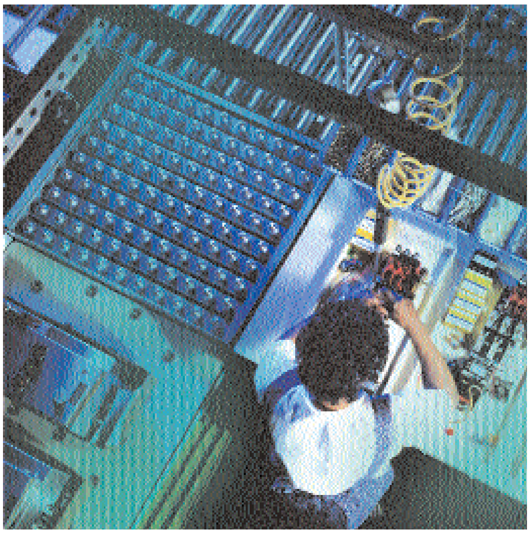
To ensure long-term sustainability of the Colleges, investment was increased in upgrading computer hardware, classroom facilities and staff training.

The consulting operation was burdened by onerous fixed costs, did not meet sales budgets and produced a very poor performance, recording a trading loss for the period. This was compounded by investment in developing improved HR consulting processes, and costs incurred in supporting the division's Learnership Project's unit. Corrective action has been implemented.

Training: the operation is accredited by and aligned to the National Qualifications Framework, the Education and Training Quality Assurance bodies, the Sector Education and Training Authorities (SETA) and industry-wide learnerships. Its customised and generic programmes meet best practice standards. Despite the set-backs in this business unit, it is anticipated that its investment in market-leading best practice training products and solutions, supported by improved regional implementation capability and streamlined management, will enable it to achieve improved performance in the medium-term, particularly as government's focus on skills development is reflected in the private sector.

The Training operations under-performed during the review period. Sales in both the corporate and technical training sectors were below budget, while poor expense control compounded the problem.

The Learnership Projects Unit produced a shocking performance. The mismanagement and unviable nature of certain learnership contracts resulted in substantial losses being incurred during the second half of the period under review. This was worsened by the fact that the operation bolstered its infrastructure and staff complement, to gear up for its project needs. These fixed costs substantially impacted the HR Solutions division's performance negatively, and are a burden on the division in the year ahead. The unit has been closed and learnerships are to be delivered within the general training unit.



Resourcing: this business unit, albeit small, specialises in permanent resourcing capability in the areas of hospitality, financial, office support and technical staffing and plays a supporting role to the Outsourcing division's comprehensive range of staffing services. After poor performance in the previous financial year – largely the result of the collapse of the permanent recruitment market – the unit was refocused to concentrate on niche areas of the market. The unit continued to record a loss for the review period, however, the impact was far less significant than in the previous year.

PRIMESERV COLLEGES

The Colleges division, which provides distance learning and college-based computer literacy and vocational business skills training through its network of separately branded Stanford Business and Computer Colleges, and Working World Colleges, delivered on its promised turnaround. It moved from an operating loss of R3 million in 2003 to a meaningful R2,8 million operating profit and a 16,7% increase in revenues to R19,6 million (2003: R16,8 million).

The turnaround was driven by a change in management, coupled with the implementation of a new marketing strategy and a clear focus on business imperatives. More specifically, and to ensure long-term sustainability of the Colleges, investment was increased in upgrading computer hardware, classroom facilities and staff training. This resulted in improved perceptions of the Colleges by students and contributed to a more effective learning environment.

There is reason to believe that the Colleges current business strategy is sustainable and that this division will continue to perform profitably.

BLACK ECONOMIC EMPOWERMENT

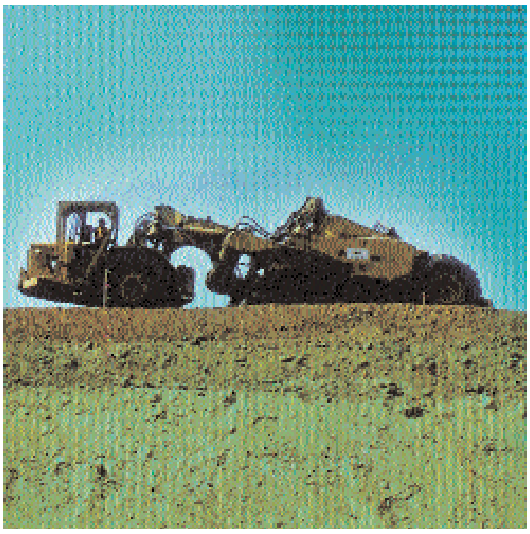
As part of its ongoing commitment to transformation, Primeserv Group has entered into transactions, which will assist Primeserv in achieving its BEE goals and will provide the Group with an acceptable BEE shareholding profile.

During the period under review, the groundwork was laid for two transactions, which took place after the balance sheet date. The first of these was necessary to commercialise the operations of a BEE venture conducted through Bathusi Staffing Services (Pty) Limited ("BSS"). This venture was established in the 2003 year with Kgorong Investment Holdings (Pty) Limited as the joint venture associate and was backed by logistical support provided by Primeserv. The business of BSS has grown to a level where it required an internal support and logistics capacity. This has been achieved by the sale of the Secunda branch of Primeserv ABC Recruitment (Pty) Limited's operation to BSS and the transfer of a Primeserv executive, KC Makhubele, to BSS as a full time employee and managing director of BSS. The shareholding of the Company is to be altered such that Primeserv's interest will reduce to 45%, Kgorong to 40%, and further shareholders in the form of a BEE women's grouping and management and staff with BEE credentials are shortly to be introduced.

The second transaction also occurred after balance sheet date and involves the transfer of a 25,8% interest in a number of Group operating subsidiaries to BEE entities as follows: The Lidonga Group 7.9%; Kgorong 7.9%; Siyakhula Trust 2% (a social responsibility trust) and BEE management and staff 8%.

The Group has entered into transactions, which will assist Primeserv in achieving its BEE goals and will provide the Group with an acceptable BEE shareholding profile.

Chief Executive Officer's review



Both transactions have been concluded on a basis that external funding is not required but that Primeserv is fully compensated for its value contribution.

CORPORATE CITIZENSHIP

Primeserv is committed to sound corporate governance and intends, where applicable, to meet the requirements as recommended in the King II report as well as those of the JSE. The Group therefore separated the roles of Chairman and Chief Executive Officer during the review period, re-appointing J Michael Judin as Primeserv's Non-Executive Chairman and with former Executive Chairman, Merrick Abel remaining as Group CEO.

Full details of the Group's corporate governance philosophy and activities are reported on elsewhere in this report.

PROSPECTS

Problems in the HR Solutions division hurt the Group during the review period. Changes to the HR Solutions division's business model and improved risk assessment procedures have been implemented. Weak results are expected for the first half of the coming financial year and the division has been substantially restructured. The impact of these changes will only be felt in the latter part of the financial year ahead.

Primeserv Group has now completed the first phase of its long-term strategy: the establishment of an integrated HR Services pillar.

Despite the difficulties in the HR Solutions division, the Group's fundamentals are sound. The Outsourcing and Colleges divisions are expected to continue delivering profitably against budget. The Group's balance sheet is strong and liquid and the Group is expected to improve its performance over the financial year as a whole.

The Primeserv Group has now completed the first phase of its long-term strategy: the establishment of an integrated HR services pillar and the development of a solid platform from which the Group can effectively diversify.

CONCLUSION

At the end of what has been a difficult year, I would like to express my appreciation to the Primeserv team for their commitment and effort. My gratitude also goes to our new Non-Executive Chairman, Michael Judin, for his guidance as well as to the Board members and executive management. My thanks also go to all our shareholders, suppliers and customers for their ongoing and highly valued support.

M. Abel

Merrick Abel
Chief Executive Officer
10 December 2004

CORPORATE GOVERNANCE

The Board, which subscribes to the principles of and accepts the inclusive approach to good corporate governance, is committed to the values of transparency, integrity, responsibility and accountability. The Board and individual directors accept their duty to ensure that the principles set out in the Code of Corporate Practices and Conduct as defined in the King II Report are observed, where possible, and specifically report on the following:

CODE OF ETHICS AND CORPORATE CONDUCT

The Group's Code of Ethics and Corporate Conduct has been designed to ensure best business practices. This is complemented by the Primeserv Pledge, which encourages every Primeserv employee to:

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

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

THE BOARD OF DIRECTORS

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

The Board directs and controls the management of the Group, is responsible for strategy and fiscal policy, and is involved in all material decisions affecting the Group. Full details of the Board of Directors are set out on page 6 of this annual report.

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

The non-executive directors provide independent judgement on issues of strategy, performance, resources, transformation, diversity, employment equity and standards of conduct, as well as taking responsibility for ensuring that the Chairman encourages proper deliberation of matters requiring the Board's attention.

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

The Board identifies the key risk areas and key performance indicators for the Group, which are regularly updated and reviewed. Full and timely information from various delegated sources 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 there is an agreed procedure by which directors may obtain independent professional advice at the Group's expense, should they deem this necessary. This enhances the Board's decision-making capability and the accuracy of its reporting.

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

BOARD COMMITTEES

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

The principal Board committees are as follows:

The Audit, Governance and Risk Committee

The Audit and Governance Committee and the Risk Committee merged during the review period. The committee in the year under review comprised CS Seabrooke *(Chairman)*, S Klein and DC Seaton. The Committee has terms of reference and an Audit, Governance and Risk Committee Charter, which is available on request. The Committee meets with the Chief Executive Officer, Chief Financial Officer and the external auditors, to discuss issues of accounting, auditing, internal controls, financial reporting and corporate governance. The external auditors have unrestricted access to the Chairman of the Committee. The responsibilities of the Committee in terms of its Charter have been met where possible.

The Committee is responsible for: reviewing the internal control structures; the financial reporting systems; risk areas; the reliability and accuracy of the financial information provided to management and other users of financial information; whether the Group should continue to use the services of the current external auditors; any accounting or auditing concerns identified as a result of the external audit; the Group's compliance with legal and regulatory provisions; its Articles of Association; Code of Conduct; by-laws and the rules established by the Board.

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

The Committee makes use of generally recognised risk management and internal control models to provide reasonable assurance regarding the achievement of organisational objectives. It aims to assess and address, *inter alia,* physical and operational risk, HR risk, technology risk, business continuity and disaster recovery, credit and market risk and compliance risk.

The Committee seeks to identify key risk areas and key performance indicators. These factors are to be monitored as part of a regular review of processes and procedures to ensure the effectiveness of its internal systems of control.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises S Klein *(Chairman)* and JM Judin. The Committee ensures that the Group's remuneration structures adequately attract and retain talented individuals who can make a contribution to the Group's sustainability. It recommends compensation strategies, policies and remuneration packages to support the Group's strategic objectives, and that reward employees for their contribution to the operating and financial performance of the organisation in relation to their preset performance criteria.

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

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

Details of the individual directors' remuneration are set out on page 37 of the annual report.

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

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

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

All directors are subject to election by shareholders and retire by staggered rotation and stand for re-election in accordance with the Company's Articles of Association. The names of directors submitted for election or re-election are accompanied by sufficient biographical information to enable shareholders to make an informed decision in respect of their election.

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

RISK MANAGEMENT

The Board is responsible for the process of risk management, as well as determining the effectiveness of the process. It sets the risk strategy, which is based on the need to identify, assess, manage and monitor risk across the Group, in liaison with the executive directors and senior management. The Audit, Governance and Risk Committee has been appointed to assist the Board in reviewing the risk management process and significant risks facing the Group.

Management is accountable to the Board for designing, implementing and monitoring the processes of risk management and integrating them into the day-to-day activities of the Group. The previously outsourced internal audit process was limited to the use of internal resources on an ad hoc basis for the review period.

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

Risk management and internal control are practised by the Group and, where possible, are integrated into day-to-day activities.

Risk is also viewed from a positive perspective, whereby the review process identifies areas of opportunity where effective risk management can be turned to competitive advantage.

ACCOUNTABILITY AND AUDIT

Going concern

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

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

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

- Corrective action has been undertaken and the Group's combined operations are expected to be profitable in the financial year to June 2005;
- Working capital remains well controlled and receivables are of sound quality;
- The Group is expected to be cash flow generative in the coming year;
- The June 2005 budget reflects improved and profitable trading and financial expectations;
- The Group has sufficient borrowing capacity in terms of its existing facilities;
- The Group has no need to dispose of any assets or undertake a capital restructuring;
- Key executive management is in place and performance management processes are being applied;
- The Group is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business; and
- The Group is monitoring and responding proactively to the spirit and terms of change in legislation and BEE initiatives.

Auditing and accounting

The Board is of the opinion that their auditors observe the highest level of business and professional ethics and that their independence is not in any way impaired.

The Group aims for efficient audit processes using its external auditors, in combination with the Group's internal controls.

Internal control

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

Insurance

The operating assets, including various assets owned by lessors, have been insured at a replacement value of R23 million.

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

RELATIONS WITH SHAREHOLDERS

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

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

SAFETY, HEALTH AND THE ENVIRONMENT (SHE)

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

Safety

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

Health

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

Corporate citizenship

The environment

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

INSIDER TRADING

No Group director or employee who has inside information in respect of the Group may deal directly or indirectly in Primeserv Group Limited shares. The Board has determined certain embargo periods during which directors and other senior management officials of the Group may not deal directly, or indirectly, in Primeserv Group Limited shares. These include the period from 31 December to the publication of the interim results and from 30 June to the publication of the year-end results and any period during which a transaction, which it is anticipated is reasonably likely to be concluded, is being negotiated, if the information relating thereto constitutes inside information.

SOCIAL AND TRANSFORMATION ISSUES

The Group, encompassing its operating divisions, has submitted its employment equity and skills development plans to the relevant authorities and continues to strive to exceed the required targets.

Employment equity

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

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

Skills development

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

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

Black economic empowerment

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

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

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

SOCIAL RESPONSIBILITY

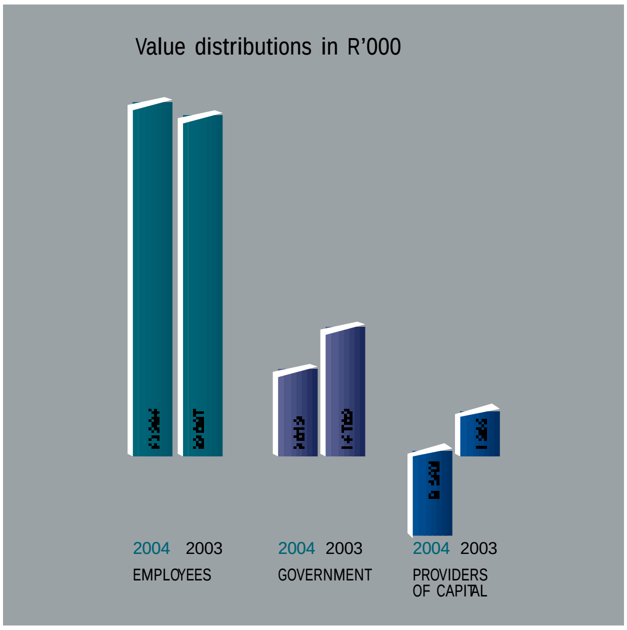
Primeserv appreciates that the corporate sector has a responsibility to help uplift disadvantaged communities. In recognition of its responsibilities to the broader South African community, Primeserv has continued its commitment to developing disadvantaged communities through its support of the Section 18A Siyakhula Trust. With the financial and professional support of Primeserv, the Siyakhula Trust continues to build leadership capacity amongst youth in various townships in the Gauteng area.

Primeserv is concerned with the effects of South Africa's socio-economic conditions and believes that investing in youth is a key to resolving some of these challenges in the future. To date, meaningful funds have been donated by Primeserv into skills training projects and community based organisations and the Group will continue to seek ways in which it can contribute to the further renaissance of South Africa.

Value added statements

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

	2004		2003	
	R'000	%	R'000	%
WEALTH CREATED				
Gross revenue less cost of sales, services and administration	41 738	99,2	60 187	102,3
Net interest income/(expense)	325	0,8	(1 362)	(2,3)
	42 063	100,0	58 825	100,0
Distributed as follows:				
Employees				
Salaries and wages and other direct benefits	40 984	97,5	39 687	67,5
Government	9 619	22,8	14 769	25,1
Income tax	(1 410)	(3,4)	2 143	3,6
Duties, surcharges and RSC levies	1 106	2,6	1 043	1,8
Employees tax and skills development levies	9 923	23,6	11 583	19,7
Providers of capital – shareholders	(8 540)	(20,3)	4 369	7,4
Retained to finance future expansion	–	–	4 369	7,4
Utilised to finance net loss	(8 540)	(20,3)	–	–
Wealth distributed	42 063	100,0	58 825	100,0
Number of employees at year-end	466		500	



Directors' approval and responsibility statement

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

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

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

There is a disaster recovery process in place for disaster recovery.

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

The auditors' report is set out on page 21.

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

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

JM Judin
Non-Executive Chairman

M Abel
Chief Executive Officer

Johannesburg
10 December 2004

Declaration by Company Secretary

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

NN Rodrigues
Company Secretary

Johannesburg
10 December 2004

Independent auditors' report

TO THE MEMBERS OF PRIMESERV GROUP LIMITED

We have audited the Company annual financial statements and Group annual financial statements of Primeserv Group Limited set out on pages 22 to 42 for the year ended 30 June 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

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

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

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

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 30 June 2004 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

Deloitte & Touche

Deloitte &Touche

Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg
10 December 2004

Directors' report

NATURE OF BUSINESS

Primeserv Group Limited is an investment holding company whose trading activities are conducted through its nine subsidiary companies housed in three divisions, as well as two BEE companies. 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 22 to 42 of this report. A review of the Group's results and performance of the business units is contained in the Chief Executive Officer's review on pages 8 to 14.

DIVIDEND

A dividend in respect of the 2003 financial year was declared in December 2003 and paid in January 2004. No dividend has been proposed for the year ended 30 June 2004.

SHARE CAPITAL

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

SUBSIDIARY COMPANIES

Details of the Company's interest in its subsidiaries are set out on page 42. The contribution to the after tax loss by the subsidiaries was R20,5 million loss and R11,6 million profit (2003: R11,5 million loss and R15,1 million profit) for the year under review.

REPURCHASE OF SECURITIES

A general authority to repurchase further ordinary shares in the Company was granted in terms of a special resolution passed by the Company's shareholders on Friday, 23 January 2004 and registered by the Registrar of Companies ("general authority"). During the financial year under review, the Company acquired 3 569 113 (2003: 5 536 592) ordinary shares on the open market.

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

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 fifteen months from the date of the approval of the resolution.

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

EMPLOYEE SHARE INCENTIVE SCHEME

The total number of shares, which may be purchased and/or in terms of which options may be granted, is equivalent to 20% of the issued share capital of the Company. At 30 June 2004, 4 726 598 (2003: 5 256 598) shares were held by the Primeserv share incentive scheme for distribution to employees in terms of the scheme. At the same date, 4 422 548 (2003: 5 256 598) options have been granted to employees in terms of the rules of the share incentive scheme leaving 304 050 unallocated shares as a result of options having lapsed during the year. 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.

DIRECTORATE AND SECRETARY

M Abel, PL Gray, JM Judin, S Klein and CS Seabrooke were directors of the Company throughout the financial year under review and at the date of this report except for PL Gray.

JA Sparke resigned as a director on 11 August 2003.

DC Seaton was appointed as a Non-Executive Director on 11 August 2003.

G Magomola resigned as a Non-Executive Director on 8 March 2004.

PL Gray resigned as a director on 24 August 2004.

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

C Nkosi was appointed as a Non-Executive Director on 30 September 2004.

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

JA Sparke resigned as Company Secretary and ER Goodman Secretarial Services cc was appointed as Company Secretary on 11 August 2003.

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

In terms of the Articles of Association of the Company, AT McMillan, C Nkosi, NN Rodrigues, CS Seabrooke and DC Seaton retire as directors at the forthcoming annual general meeting and other than CS Seabrooke, being eligible, offer themselves for re-election.

DIRECTORS’ INTERESTS

As at 30 June 2004, the aggregate direct and indirect, beneficial and non-beneficial interests of the directors in the fully paid issued share capital of the Company were:

	2004		2003	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
EXECUTIVE				
M Abel	13 598 254	–	12 996 495	–
PL Gray†	620 233	–	568 475	–
JA Sparke*	–	–	25 000	–
NON-EXECUTIVE				
JM Judin	586 634	–	586 634	–
S Klein	264 887	–	264 887	–
G Magomola*	–	–	–	–
CS Seabrooke	–	20 015 200	–	20 015 200
DC Seaton	750 000	–	–	–
	15 820 008	20 015 200	14 441 491	20 015 200

*During the financial year under review, JA Sparke and G Magomola resigned as directors.

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

At the date of this report, M Abel has been granted 2 735 000 (2003: 3 185 000) share options.

There has been no material change in the directors’ interest in the issued share capital between 30 June 2004 and the date of this report.

The number of meetings attended by each of the directors of the Company during the period 1 July 2003 to 30 June 2004 is as follows:

	Board		Audit, Governance and Risk Committee		Remuneration and Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
M Abel	4	4	3	3	2	2
PL Gray	4	3	3	3	n/a	n/a
JM Judin	4	4	n/a	n/a	2	2
S Klein	4	4	3	3	2	2
G Magomola	2	1	1	0	n/a	n/a
CS Seabrooke	4	4	3	3	n/a	n/a
DC Seaton	4	4	2	2	n/a	n/a

EQUIPMENT AND VEHICLES

The Group acquired equipment and vehicles at a cost of R1,1 million (2003: R1,5 million) during the financial year under review. No major changes in the nature of the equipment and vehicles occurred during this year.

SUBSEQUENT EVENTS

Subsequent to the year-end, the Group has entered into two transactions in regards to its Black Economic Empowerment initiative.

The first transaction has been entered into between Primeserv ABC Recruitment (Pty) Limited and Bathusi Staffing Services (Pty) Limited, which is subject to shareholder approval. In terms of this transaction, Bathusi Staffing Services (Pty) Limited will become an associate company of the Group and will acquire the business of the Secunda branch of Primeserv ABC Recruitment (Pty) Limited for a purchase price of R6 million and a net carrying value of R1,1 million.

The second transaction has been entered into between the Group and the following Black Economic Empowerment entities, namely; Kgorong Investment Holdings (Pty) Limited, Siyakhula Trust and Lidonga Oil International (Pty) Limited. In terms of this transaction, the capital of the Group’s operating subsidiaries is being restructured with the issue of preference shares to Primeserv Group Limited and a 25,8% interest in the ordinary shares of Primeserv Employee Solutions (Pty) Limited, Primeserv ABC Recruitment (Pty) Limited and Primeserv Corporate Solutions (Pty) Limited is being disposed of to the Black Economic Empowerment entities at nominal value, which is also the carrying value.

Income statements

FOR THE YEAR ENDED 30 JUNE 2004		GROUP		COMPANY	
		2004	2003	2004	2003
	Notes	R'000	R'000	R'000	R'000
Revenue		397 244	464 046	452	386
– sales		395 989	456 263	452	386
– interest received		1 255	7 783	–	–
Net operating costs		394 842	456 167	934	112
Exceptional debt provisions	1	5 875	–	–	–
Operating (loss)/profit		(3 473)	7 879	(482)	274
Dividend received		–	–	661	–
Interest received		3 240	4 453	882	674
Interest paid		(2 915)	(5 815)	(108)	(86)
Net (loss)/profit before other exceptional items		(3 148)	6 517	953	862
Other exceptional items	1	6 800	–	–	707
Net (loss)/profit before taxation	2	(9 948)	6 517	953	155
Taxation	3	(1 410)	2 143	(19)	119
Net (loss)/profit after taxation		(8 538)	4 374	972	36
Minority shareholders' interest		2	5	–	–
Net (loss)/profit attributable to shareholders		(8 540)	4 369	972	36
Weighted average number of shares ('000)	4	117 123	121 906		
Diluted weighted average number of shares ('000)	4	118 744	123 468		
(Loss)/earnings per share (cents)		(7,29)	3,58		
Diluted (loss)/earnings per share (cents)		(7,19)	3,54		
Headline (loss)/earnings per share (cents)		(7,31)	3,72		
Diluted headline (loss)/earnings per share (cents)		(7,21)	3,67		
Dividend proposed after year end per share (cents)*		–	0,50		

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

Balance sheets

AS AT 30 JUNE 2004	Notes	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
ASSETS					
Non-current assets		14 636	20 023	1 002	2 736
Equipment and vehicles	6	3 297	4 749	320	410
Intangibles	7	576	657	–	–
Investment in subsidiaries	8	–	–	2	1 989
Long-term receivables	9	1 662	5 530	–	–
Proceeds due on disposal of business	10	–	1 523	–	–
Deferred tax asset	11	9 101	7 564	10	–
Advance to the share trust	12	–	–	670	337
Current assets		60 369	78 131	3 117	1 875
Inventories		619	690	250	–
Trade receivables	13	47 502	55 779	36	10
Other receivables	14	3 196	12 124	51	547
Cash at bank		9 052	9 538	2 780	1 318
Total assets		75 005	98 154	4 119	4 611
EQUITY AND LIABILITIES					
Capital and reserves		36 627	46 493	350	38
Share capital	15	1 321	1 321	1 321	1 321
Share premium	16	1 351	1 351	1 351	1 351
Distributable reserves/(accumulated loss)		37 637	46 759	(2 322)	(2 634)
Treasury shares	17	(2 215)	(1 428)	–	–
Share trust shares	18	(1 467)	(1 510)	–	–
Minority interest		4	5	–	–
Non-current liabilities		1 300	1 241	1 926	92
Long-term interest-bearing borrowings	19	1 300	1 241	–	–
Subsidiary company loans	8	–	–	1 926	–
Deferred tax liability	11	–	–	–	92
Current liabilities		37 074	50 415	1 843	4 481
Trade and other payables	20	26 334	32 809	1 843	2 481
Short-term interest-bearing borrowings	21	205	2 219	–	2 000
Taxation		495	642	–	–
Bank borrowings	22	10 040	14 745	–	–
Total equity and liabilities		75 005	98 154	4 119	4 611
Number of shares in issue at year-end ('000) (net of treasury and share trust shares)		116 691	119 730		
Net asset value per share (cents)		31	39		

Statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2004		GROUP		COMPANY	
		2004	2003	2004	2003
	Notes	R'000	R'000	R'000	R'000
Share capital		1 321	1 321	1 321	1 321
Share premium		1 351	1 351	1 351	1 351
Distributable reserves		37 637	46 759	(2 322)	(2 634)
Balance at beginning of year as previously stated		45 988	76 857	(2 634)	(2 640)
Prior year adjustment – recognition of leave pay liability	5.2	–	(1 751)	–	(30)
Prior year adjustment – share trust accumulated profits	5.3	771	64	–	–
Balance at beginning of year restated		46 759	75 170	(2 634)	(2 670)
Net (loss)/profit for the year as previously stated		(8 540)	3 662	972	36
Prior year adjustment – impairment of advance to share trust reversed	5.3	–	707	–	–
Net (loss)/profit for the year restated		(8 540)	4 369	972	36
AC133 transitional adjustment	5.1	–	(5 164)	–	–
Deferred tax – impairment		–	(27 616)	–	
Dividend paid		(582)	–	(660)	–
Treasury shares	17	(2 215)	(1 428)	–	–
Share trust shares	18	(1 467)	(1 510)	–	–
		36 627	46 493	350	38

Cash flow statements

FOR THE YEAR ENDED 30 JUNE 2004	Notes	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
Cash flows from operating activities		6 605	17 470	(463)	(529)
Net (loss)/profit before taxation		(9 948)	6 517	953	155
Adjustments		14 514	4 498	(1 288)	284
– net interest (received)/paid		(325)	1 362	(774)	(588)
– dividend received		–	–	(661)	–
– non-cash flow items		12 613	157	–	707
– depreciation		2 226	2 979	147	165
Operating profit/(loss) before working capital changes		4 566	11 015	(335)	439
Working capital changes		2 570	7 731	(820)	(1 554)
– decrease/(increase) in inventories		321	(253)	(250)	–
– decrease in trade and other receivables		8 724	10 517	470	1 300
– decrease in trade and other payables		(6 475)	(2 533)	(1 040)	(2 854)
Cash generated from/(utilised in) operations		7 136	18 746	(1 155)	(1 115)
Net interest received/(paid)		325	(1 362)	774	588
Net dividend (paid)/received		(582)	–	1	–
Taxation (paid)/refunded	A	(274)	86	(83)	(2)
Cash flows from investing activities		(431)	(242)	3 925	(1 811)
Purchase of equipment and vehicles to maintain operations		(1 074)	(1 540)	(57)	(11)
Proceeds on disposal of equipment and vehicles		440	202	–	–
Decrease in long-term receivables		947	648	–	–
Proceeds on disposal of business operations	B	–	1 551	–	–
Loan to share trust		–	–	69	10
Repurchase of securities		(787)	(1 113)	–	–
Issue of shares from share trust		43	10	–	–
Loans from/(to) subsidiaries		–	–	3 913	(1 810)
Cash flows from financing activities		59	402	–	–
Proceeds from long-term borrowings		59	402	–	–
Net decrease/(increase) in borrowings and cash at bank		6 233	17 630	3 462	(2 340)
Borrowings and cash at bank at beginning of year		(7 426)	(25 056)	(682)	1 658
Borrowings and cash at bank at end of year	C	(1 193)	(7 426)	2 780	(682)

Notes to the cash flow statements

FOR THE YEAR ENDED 30 JUNE 2004	Notes	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
A. TAXATION (PAID)/REFUNDED					
Amount (unpaid)/overpaid at beginning of year		(642)	171	–	(28)
Amount (charged)/credited to the income statement		(127)	(727)	(83)	26
Amount unpaid at end of year		495	642	–	–
		(274)	86	(83)	(2)
B. PROCEEDS ON DISPOSAL OF BUSINESS OPERATIONS					
Vehicles and equipment		–	48	–	–
Trade and other receivables		–	777	–	–
Trade and other payables		–	(125)	–	–
Net assets disposed		–	700	–	–
Goodwill		–	452	–	–
Net cash receivables		–	1 152	–	–
Unpaid at beginning of the year		3 713	4 112	–	–
Less: proceeds impaired		(3 713)	–	–	–
Less: unpaid at end of the year		–	(3 713)	–	–
		–	1 551	–	–
C. BORROWINGS AND CASH AT BANK AT END OF YEAR					
Cash at bank		9 052	9 538	2 780	1 318
Short-term borrowings		(205)	(2 219)	–	(2 000)
Bank borrowings		(10 040)	(14 745)	–	–
		(1 193)	(7 426)	2 780	(682)
Borrowings and cash at bank are comprised as follows:					
South African rand		(3 088)	(8 827)	2 780	(682)
Foreign currencies*		1 895	1 401	–	–
		(1 193)	(7 426)	2 780	(682)

*Foreign currencies include Mozambican Meticais to the value of R1 598 214 (2003: R624 114)

Summary of accounting policies

The annual financial statements are prepared on the historical cost basis, except for certain financial instruments which are carried at fair value, and incorporate the following principal accounting policies, which comply with South African Statements of Generally Accepted Accounting Practice ("SA GAAP"). They have been prepared on a basis consistent with the prior year except for consolidation of the Primeserv Group Share Trust as required by a directive issued by the JSE Securities Exchange South Africa during February 2004 (Refer to note 5).

BASIS OF CONSOLIDATION

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

BORROWINGS AND CASH AT BANK

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

BORROWING COSTS

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

EMPLOYEE BENEFIT PLANS

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

EQUIPMENT AND VEHICLES

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

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

FINANCE AGREEMENTS

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

FINANCIAL INSTRUMENTS

Measurement

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

Trade and other receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Gains and losses on subsequent measurements

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

FOREIGN CURRENCIES

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

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

INTANGIBLE ASSETS

Trademarks and goodwill

Trademarks and goodwill are stated at cost and amortised on a straight-line basis over their anticipated useful lives not exceeding ten years and are only written down if there is a permanent diminution in value.

Summary of accounting policies

IMPAIRMENT

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

INVENTORIES

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

LEASING

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

PROVISIONS

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

RETIREMENT BENEFITS

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

REVENUE

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

SEGMENTAL REPORTING

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

TAXATION

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

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

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

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

FOR THE YEAR ENDED 30 JUNE 2004	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
1. EXCEPTIONAL ITEMS				
Impairment of advance to share trust	–	–	–	707
Exceptional debt provisions	5 875	–	–	–
– Impairment of debts relating to long standing contracts under dispute	5 875	–	–	–
Other exceptional items	6 800	–	–	–
– Impairment of proceeds due on disposal of South African operations	4 946	–	–	–
– Impairment of proceeds due on non-South African operations previously discontinued	1 854	–	–	–
	12 675	–	–	707
2. NET (LOSS)/PROFIT BEFORE TAXATION				
Net (loss)/profit before taxation is stated after taking into account the following:				
Income				
Interest received	3 240	4 453	882	674
– application of AC133	2 538	3 284	–	–
– banks and other third parties	702	1 169	882	674
Management fees	–	–	6 535	8 540
Dividend received	–	–	661	–
(Loss)/profit on foreign exchange	(739)	989	(3)	–
Profit on sale of equipment and vehicles	140	7	–	–
Sundry income	7 144	3 119	179	242
Expenses				
Auditors' remuneration	809	463	355	277
– audit fees current year	689	400	235	214
– audit fees prior year	47	25	47	25
– fees for other services	73	38	73	38
Cost of sales	309 114	370 837		–
Depreciation	2 226	2 979	147	165
– computer equipment	971	1 115	33	50
– motor vehicles	329	439	–	–
– furniture, fittings and equipment	926	1 425	114	115
Interest paid	2 915	5 815	108	86
– long-term liabilities	129	47	–	–
– finance leases	67	34	–	–
– bank and other borrowings	2 719	5 734	108	86
Goodwill amortisation	81	169	–	–
Operating lease rentals	8 898	9 697	19	16
– equipment and vehicles	2 310	2 241	19	16
– premises	6 588	7 456	–	–
Retirement costs	1 179	765	222	211
Staff costs (includes executive directors' remuneration – refer note 23)	49 728	50 323	5 251	5 027
Directors' fees (non-executive directors)	163	217	163	217

FOR THE YEAR ENDED 30 JUNE 2004	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
3. TAXATION				
SA normal taxation	127	727	83	(26)
– current	40	529	–	–
– prior year under/(overprovision)	4	198	–	(26)
– Secondary tax on companies (STC)	83	–	83	–
Deferred tax	(1 537)	1 416	(102)	145
– current	(1 187)	1 661	169	276
– prior year overprovision	(350)	(245)	(271)	(131)
	(1 410)	2 143	(19)	119
	%	%	%	%
Tax rate reconciliation				
Statutory tax rate	30,0	30,0	30,0	30,0
Overprovision previous year	3,5	(0,7)	(28,4)	(101,3)
Non-deductible and other items	(18,5)	3,6	(12,3)	148,1
Secondary tax on companies (STC)	(0,8)	–	8,7	–
Effective tax rate	14,2	32,9	(2,0)	76,8
4. EARNINGS PER SHARE				
The calculations of earnings per share; headline earnings per share, diluted earnings per share and diluted headline earnings per share are based on the following:				
Weighted average number of shares in issue ('000)	117 123	121 906		
Add: shares held for options granted by share trust ('000)	1 621	1 562		
Diluted number of shares in issue ('000)	118 744	123 468		
Earnings	(8 540)	4 369		
Goodwill amortisation	81	169		
After tax effect of profit on sale of assets	(98)	(5)		
Headline earnings	(8 557)	4 533		
5. PRIOR YEAR ADJUSTMENT				
5.1 Adoption of AC133: Financial Instruments: Recognition and Measurement	–	5 164	–	–
Adoption of AC133 in respect of financial instruments	–	7 247	–	–
Taxation relief – deferred	–	(2 083)	–	–
5.2 Change in accounting policy	–	1 751	–	30
Recognition of leave pay liability in terms of AC116: Employee Benefits	–	2 502	–	43
Taxation relief – deferred	–	(751)	–	(13)
5.3 Change in accounting policy	(771)	(771)	–	–
Impact of consolidation of share trust on opening accumulated profits	(771)	(64)	–	–
Impact of consolidation of share trust on net profit for the year	–	(707)	–	–
Impairment of advance to share trust reversed	–	(707)	–	–
Taxation relief – deferred	–	–	–	–
	(771)	6 144	–	30

FOR THE YEAR ENDED 30 JUNE 2004	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
6. EQUIPMENT AND VEHICLES				
Cost				
Computer equipment	4 930	8 540	312	300
Motor vehicles	2 253	2 411	–	–
Furniture, fittings and equipment	7 923	8 935	623	574
	15 106	19 886	935	874
Accumulated depreciation				
Computer equipment	4 134	7 030	278	244
Motor vehicles	1 293	1 641	–	–
Furniture, fittings and equipment	6 382	6 466	337	220
	11 809	15 137	615	464
Net book value at end of year				
Computer equipment	796	1 510	34	56
Motor vehicles	960	770	–	–
Furniture, fittings and equipment	1 541	2 469	286	354
	3 297	4 749	320	410
Movement for the year				
Cost at beginning of year	19 886	20 616	874	863
Accumulated depreciation at beginning of year	(15 137)	(14 185)	(464)	(299)
Net book value at beginning of year	4 749	6 431	410	564
Additions				
Computer equipment	260	693	11	7
Motor vehicles	593	475	–	–
Furniture, fittings and equipment	221	372	46	4
	1 074	1 540	57	11
Depreciation				
Computer equipment	(971)	(1 115)	(33)	(50)
Motor vehicles	(329)	(439)	–	–
Furniture, fittings and equipment	(926)	(1 425)	(114)	(115)
	(2 226)	(2 979)	(147)	(165)
Disposals				
Computer equipment	(3)	(20)	–	–
Motor vehicles	(74)	(90)	–	–
Furniture, fittings and equipment	(223)	(133)	–	–
	(300)	(243)	–	–
Net book value at end of year	3 297	4 749	320	410
Motor vehicles with a book value of R451 904 (2003: R429 639) are encumbered as per note 19.				
7. INTANGIBLES				
Cost of goodwill related to businesses acquired	810	810	–	–
Less: Accumulated goodwill amortisation	(234)	(153)	–	–
Net book value at end of year	576	657	–	–
Movement for the year				
Cost at beginning of year	810	1 410	–	–
Accumulated goodwill amortisation at beginning of year	(153)	(132)	–	–
Net book value at beginning of year	657	1 278	–	–
Goodwill amortisation	(81)	(169)	–	–
Disposals	–	(452)	–	–
Net book value at end of year	576	657	–	–

FOR THE YEAR ENDED 30 JUNE 2004	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
8. INVESTMENT IN SUBSIDIARIES				
Shares at cost	–	–	2	2
Loans to subsidiary companies	–	–	238 331	242 461
Loans from subsidiary companies	–	–	(3 426)	(3 643)
	–	–	234 907	238 820
Write-down of investments against share premium	–	–	(236 831)	(236 831)
	–	–	(1 924)	1 989
The loans are unsecured, interest-free and no fixed terms for repayment of the loans have been arranged. Further information on the subsidiary companies is contained on page 38 of the annual financial statements.				
9. LONG-TERM RECEIVABLES				
Receivables to be collected in excess of one year	1 732	7 067	–	–
Less: Fair value adjustment	(70)	(1 537)	–	–
	1 662	5 530	–	–
10. PROCEEDS DUE ON DISPOSAL OF BUSINESS				
Total owing	3 713	3 713	–	–
Less: Fair value adjustment	(705)	(705)	–	–
	3 008	3 008	–	–
Reversal of fair value adjustment	705	–	–	–
Less: Current portion included in trade and other receivables	–	(1 485)	–	–
Less: Impairment of proceeds due	(3 713)	–		
	–	1 523	–	–
11. DEFERRED TAX ASSET/(LIABILITY)				
Assessable losses*	8 542	4 327	9	(107)
Other	559	3 237	1	15
	9 101	7 564	10	(92)
Reconciliation between deferred tax opening and closing balance				
Deferred tax opening balance	7 564	33 762	(92)	53
Prior year adjustments	–	2 834	–	–
Trademark allowances	–	(3 853)	–	–
Assessable loss	4 215	2 860	116	(40)
Other	(2 678)	(423)	(14)	(105)
Deferred tax – impairment	–	(27 616)	–	–
Deferred tax asset/(liability) at end of year	9 101	7 564	10	(92)
*Tax losses amounting to R34 326 779 have not been recognised. Tax losses amounting to R28 473 410 have been recognised on the basis of future sustainable profits that have been budgeted and estimated for in the next three financial years.				
12. ADVANCE TO THE SHARE TRUST				
The Company has advanced R670 059 (2003: R738 839) to the Primeserv Group Limited share incentive scheme for the acquisition of 4 726 598 (2003: 5 256 598) shares.				
Primeserv Group Limited ordinary shares at fair value	–	–	670	1 446
Less: Fair value adjustment – opening balance	–	–	–	(888)
Plus: Fair value adjustment – current year	–	–	–	486
Less: Impairment of advance to share trust	–	–	–	(707)
	–	–	670	337
13. TRADE RECEIVABLES				
Trade receivables	48 487	62 543	36	10
Less: Provision for doubtful debts	(985)	(5 509)	–	–
Less: Unearned finance charges	–	(1 255)	–	–
	47 502	55 779	36	10
Trade receivables are encumbered as per note 22.				

FOR THE YEAR ENDED 30 JUNE 2004	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
14. OTHER RECEIVABLES				
Other receivables	3 337	12 632	51	547
Less: AC133 adjustment	(141)	(508)	–	–
	3 196	12 124	51	547
15. SHARE CAPITAL				
Authorised				
500 000 000 ordinary shares of 1 cent each	5 000	5 000	5 000	5 000
Issued				
132 062 743 (2003: 132 062 743) ordinary shares of 1 cent each	1 321	1 321	1 321	1 321
There are NIL (2003: NIL) shares to be issued in respect of shares outstanding in terms of the Primeserv Group Limited share incentive scheme.				
Unissued shares				
The unissued shares totalling 367 937 257 (2003: 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 Listing Requirements of the JSE Securities Exchange South Africa. The authority is valid until the next annual general meeting.				
16. SHARE PREMIUM				
Balance at beginning of year	1 351	1 351	1 351	1 351
Shares repurchased and cancelled	–	–	–	–
Total share premium	1 351	1 351	1 351	1 351
17. TREASURY SHARES				
Comprises 10 645 489 (2003: 7 076 376) Primeserv Group Limited ordinary shares purchased in terms of shareholder approval obtained on 23 January 2004	2 215	1 428	–	–
18. SHARE TRUST SHARES				
Comprises 4 726 598 (2003: 5 256 598) Primeserv Group Limited ordinary shares. The share trust has been consolidated into the Group in terms of a directive issued by the JSE Securities Exchange South Africa in February 2004. The 2003 comparatives have been appropriately restated.	1 467	1 510	–	–
19. LONG-TERM INTEREST-BEARING BORROWINGS				
Manpower Development Fund	936	857	–	–
Total owing	1 436	1 476	–	–
Fair value adjustment	(482)	(521)	–	–
Current portion included with short-term loans	(18)	(98)	–	–
The loans are unsecured and repayable in monthly instalments inclusive of interest at a fixed rate of 11,75 % per annum with a remaining period of 167 months.				
Finance agreements	364	384	–	–
Total owing (refer to note 29)	551	505	–	–
Current portion included with short-term loans	(187)	(121)	–	–
The loans are repayable in monthly instalments inclusive of interest, at rates varying with the prime bank overdraft rate and are secured over relevant vehicles with a book value of R451 904 (2003: R429 639)				
	1 300	1 241	–	–

FOR THE YEAR ENDED 30 JUNE 2004	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
19. LONG-TERM INTEREST-BEARING BORROWINGS (continued)				
Interest-bearing borrowings				
Short-term portion	205	219	–	–
Long-term portion	1 300	1 241	–	–
Total	1 505	1 460	–	–

Borrowing powers

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

20. PROVISIONS

The following provisions are included in trade and other payables:

2004 – Group

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

2003 – Group

Movement of provisions	Bonus R'000	Leave pay R'000	Contract employee claims R'000	Other R'000	Total R'000
Balance at beginning of year	1 210	2 502	149	312	4 173
Amounts added	2 303	409	290	2	3 004
Amounts used	(2 086)	(576)	–	(215)	(2 877)
Amounts written back	(81)	(7)	–	(59)	(147)
Balance at end of year	1 346	2 328	439	40	4 153

FOR THE YEAR ENDED 30 JUNE 2004	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
21. SHORT-TERM INTEREST-BEARING BORROWINGS				
Short-term interest-bearing borrowings payable within one year	205	219	–	–
Short-term borrowings – other	–	2 000	–	2 000
	205	2 219	–	2 000
22. BANK BORROWINGS				
Invoice finance	7 238	14 745	–	–
The finance is secured over the book debts of Primeserv ABC Recruitment (Proprietary) Limited, African Recruitment Manpower (Proprietary) Limited and Primeserv Employee Solutions (Proprietary) Limited, and bears interest at the prime bank overdraft rate per annum. It is repayable on collection of the book debts subject to a 25% retention margin of total debt financed in this manner.				
Bank overdraft	2 802	–	–	–
The bank overdraft is secured over the book debts of Primeserv Training (Proprietary) Limited, Primeserv Recruitment (Proprietary) Limited and Primeserv Corporate Solutions (Proprietary) Limited and bears interest at the prime bank overdraft rate per annum.				
	10 040	14 745	–	–

FOR THE YEAR ENDED 30 JUNE 2004

	Directors' fees R'000	Basic remune-ration R'000	Bonuses R'000	Share options exercised R'000	Retire-ment funding benefits R'000	Medical aid benefits R'000	Total 2004 R'000
23. DIRECTORS' REMUNERATION – 2004							
The remuneration paid to directors of the Company, whilst in office during the year ended 30 June 2004, can be analysed as follows:							
Executive Directors	–	3 256	–	104	269	76	3 705
M Abel[+]	–	1 875	–	104[+]	164	34	2 177
PL Gray	–	1 165	–	–	95	38	1 298
JA Sparke[†]	–	216	–	–	10	4	230
Non–Executive Directors	215	–	–	–	–		215
JM Judin	50	–	–	–	–	–	50
S Klein	70	–	–	–	–	–	70
G Magomola	10	–	–	–	–	–	10
CS Seabrooke	60	–	–	–	–	–	60
DC Seaton	25	–	–	–	–	–	25
	215	3 256	–	104	269	76	3 920

For the year ended 30 June 2004, no bonuses were paid to the executive directors.

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

[+] M Abel exercised 450 000 share options at 6 cents per share when the open market share price was 29 cents.

[†] JA Sparke exercised 80 000 share options at 20 cents per share when the open market share price was 20 cents.

	Directors' fees R'000	Basic remune-ration R'000	Bonuses[*] R'000	Share options exercised R'000	Retire-ment funding benefits R'000	Medical aid benefits R'000	Total 2003 R'000
DIRECTORS' REMUNERATION – 2003							
The remuneration paid to directors of the Company, whilst in office during the year ended 30 June 2003, can be analysed as follows:							
Executive Directors	–	3 295	385	–	254	102	4 036
M Abel	–	1 644	150	–	133	37	1 964
PL Gray	–	1 063	150	–	77	40	1 330
JA Sparke	–	588	85	–	44	25	742
Non–Executive Directors	173	–	–	–	–	–	173
JM Judin	40	–	–	–	–	–	40
S Klein	44	–	–	–	–	–	44
G Magomola	–	–	–	–	–	–	–
SA Meltzer	20	–	–	–	–	–	20
CS Seabrooke	69	–	–	–	–	–	69
	173	3 295	385	–	254	102	4 209

[*]Bonuses were paid based on the achievement of cash generation targets.

FOR THE YEAR ENDED 30 JUNE 2004

23. DIRECTORS' REMUNERATION (continued)

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

Interest of directors and employees of the company in share options	No. of options as at 30 June 2002	No. of options exercised during the year	No. of options lapsed during the year	No. of options as at 30 June 2003	Option price cents	Date from which exercisable	Expiry date
2003 The interests of the executive directors and employees provided in the form of options are shown in the table below:							
M Abel	900 000	–	–	900 000	6	29/04/1998	28/04/2008
M Abel	2 050 000	–	–	2 050 000	16	08/11/2000	31/05/2010
M Abel	235 000	–	–	235 000	20	05/09/2003	04/09/2013
PL Gray	1 000 000	–	–	1 000 000	16	10/11/2000	31/05/2010
PL Gray	235 000	–	–	235 000	20	05/09/2003	04/09/2013
JA Sparke	80 000	–	–	80 000	20	05/09/2003	04/09/2013
Employees	629 350	340 000	–	289 350	6	29/04/1998	28/04/2008
Employees	24 000	–	–	24 000	6	17/09/1998	16/09/2008
Employees	96 000	–	–	96 000	6	18/10/1999	17/10/2009
Employees	3 000	–	–	3 000	6	05/01/1999	04/01/2009
Employees	4 000	–	–	4 000	6	29/01/1999	28/01/2009
Employees	6 250	–	–	6 250	6	03/03/1999	02/03/2009
Employees	6 800	–	–	6 800	6	05/05/1999	04/05/2009
Employees	109 120	–	–	109 120	16	01/06/2000	31/05/2010
Employees	218 078	–	–	218 078	20	05/09/2003	04/09/2013
	5 596 598	340 000	–	5 256 598			

FOR THE YEAR ENDED 30 JUNE 2004

	2004 R'000	2003 R'000	2004 R'000	2003 R'000
24. CONTINGENT LIABILITIES				
Guarantees issued by bankers to various companies and government bodies.	234	1 133	115	–
The Company and certain of its fellow subsidiaries have signed surety to FirstRand Bank Limited in favour of its fellow subsidiaries for invoice financing and normal banking facilities granted. The net amount outstanding in the subsidiaries in respect of these facilities at year-end is R5 966 905 (2003: R9 263 765).				
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.				

25. FINANCIAL INSTRUMENTS

Interest rate risk

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

Credit risk

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

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

26. RETIREMENT BENEFITS

The Group presently contributes to defined contribution retirement benefit plans, being pension funds governed by the Pension Funds Act, 1956, which, due to the nature of the funds, do not require actuarial valuations. Retirement costs for the year amounted to R1 178 831 (2003: R765 467). The Group has no obligations to fund post-retirement medical benefits.

27. RELATED PARTY TRANSACTIONS

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

Sabvest Finance and Guarantee Corporation Limited and M Abel, who are related parties to the Group, provide financing facilities. The transactions are at arm's length and are concluded under terms and conditions that are no less favourable than those available from third parties.

During the year, the Company repaid a loan of R2 million owing to Sabvest Finance and Guarantee Corporation Limited.

At 30 June 2004, the Group owed M Abel R313 193 for the purchase of a motor vehicle.

During the year, the Company paid R84 000 to Sabvest Financial Services (Pty) Limited, being a related party to CS Seabrooke, for consulting services rendered.

During the year, the Company paid R28 600 to TWS Consulting, being a related party to DC Seaton, for consulting services rendered.

28. CAPITAL COMMITMENTS

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

FOR THE YEAR ENDED 30 JUNE 2004	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
29. OPERATING AND FINANCE LEASE COMMITMENTS				
Operating lease commitments				
Future operating lease charges for premises, vehicles and equipment				
Payable within one year				
– premises	4 983	4 404	703	536
– vehicles and equipment	1 387	1 487	–	31
	6 370	5 891	703	567
Payable two to five years				
– premises	3 451	5 132	181	754
– vehicles and equipment	2 938	2 157	–	18
	6 389	7 289	181	772
There are no operating lease commitments beyond the five-year period. Operating leases on premises are subject to escalation with renewal options at the Group's discretion.				
Finance lease commitments				
Payable within one year – vehicles	187	165	–	–
Payable two to five years – vehicles	475	515	–	–
	662	680	–	–
Prepaid finance charges	(111)	(175)	–	–
Capital amount owing	551	505	–	–
30. LONG-TERM INTEREST BEARING COMMITMENTS				
Payable within one year	186	186	–	–
Payable two to five years	743	743	–	–
Payable after five years	1 657	1 842	–	–
	2 586	2 771	–	–
Interested included therein	(1 150)	(1 295)	–	–
Capital amount owing	1 436	1 476	–	–

FOR THE YEAR ENDED 30 JUNE 2004	GROUP			COMPANY	
	Outsourcing R'000	Colleges R'000	HR Solutions R'000	Central Services R'000	Group Con-solidated R'000
31. SEGMENTAL ANALYSIS					
2004					
Revenue	345 069	19 557	32 618	–	397 244
Operating profit / (loss) before exceptional debt provisions	12 529	2 755	(9 955)	(2 927)	2 402
Operating profit/(loss)	6 654	2 755	(9 955)	(2 927)	(3 473)
Capital additions	684	24	309	57	1 074
Depreciation and amortisation	608	462	1 090	147	2 307
Exceptional debt provisions	11 405	–	1 270	–	12 675
Assets	53 401	6 700	11 455	3 449	75 005
Liabilities	28 667	665	7 200	1 842	38 374
2003 – restated					
Revenue	406 455	16 825	40 766	–	464 046
Operating profit / (loss) before exceptional debt provisions	14 772	(2 998)	61	(3 956)	7 879
Net operating profit / (loss)	14 772	(2 998)	61	(3 956)	7 879
Capital additions	274	168	1 087	11	1 540
Depreciation and amortisation	1 018	619	1 346	165	3 148
Assets	74 876	4 389	17 306	1 583	98 154
Liabilities	39 784	1 282	5 893	4 697	51 656

The basis upon which the business segments have been determined has changed from the prior year. Previously, the business segments comprised Staffing Services; Corporate and Organisational Services; and Central Services. In the current year, the Colleges segment has been identified as falling into its own business segment.

The Outsourcing segment provides flexible staffing solutions.

The Colleges segment provides computer literacy and vocational skills training.

The HR Solutions segment provides a comprehensive range of HR solutions and corporate and technical training services.

32. COMPARATIVE FIGURES

Comparative figures have been restated where necessary. The only restatements resulted from the Share Trust consolidation as well as changes to the segmental analysis.

	As previously stated R'000	Restatement R'000	As restated R'000
Consolidation of share trust			
Balance sheet restatements			
Long-term receivables	5 932	(402)	5 530
Advance to the share trust	337	(337)	–
Distributable reserves	45 988	771	46 759
Share trust shares	–	(1 510)	(1 510)
Cash flow restatements			
Net profit before taxation	5 810	707	6 517
Non-cash flow items	864	(707)	157
Weighted average number of shares ('000)	127 255	5 349	121 906
Diluted weighted average number of shares ('000)	127 255	3 787	123 468
Earnings per share (cents)	2,88	0,70	3,58
Diluted earnings per share (cents)	2,88	0,66	3,54
Headline earnings per share (cents)	3,01	0,71	3,72
Diluted headline earnings per share (cents)	3,01	0,66	3,67

The effect of the restatement on the income statement and statement of changes in equity are disclosed on the face of the statement of changes in equity.

Segmental analysis

The previous Corporate and Organisational Services segment has been divided into Colleges and HR Solutions segments in the current year with comparative figures being restated.

Details of subsidiary companies

FOR THE YEAR ENDED 30 JUNE 2004

	Country of incorporation	R	Portion held directly or indirectly by holding company %	Book value of shares at cost R	Amount owing by/(to) subsidiaries 2004 R'000	2003 R'000
Primeserv Corporate Solutions (Proprietary) Limited	South Africa	100	100	100	21 181	18 049
Primeserv Training (Proprietary) Limited	South Africa	100	100	100	43 831	43 816
Primeserv ABC Recruitment (Proprietary) Limited	South Africa	100	100	100	79 909	82 314
Primeserv Employee Solutions (Proprietary) Limited	South Africa	100	100	100	89 903	94 144
African Recruitment Manpower (Proprietary) Limited	South Africa	160	100	160	739	2 465
Primeserv Productivity Services (Proprietary) Limited	South Africa	100	100	100	2 184	1 453
Primeserv Recruitment (Proprietary) Limited	South Africa	100	100	100	(3 090)	(3 196)
Priserv (Proprietary) Limited	South Africa	100	100	100	–	–
Ibiza Trading 7 (Proprietary) Limited	South Africa	100	100	0	584	220
Thuso Outsourcing (Proprietary) Limited	South Africa	100	70	70	(336)	(447)
Empvest Outsourcing (Proprietary) Limited*	South Africa	1 000	48,2	482	–	–
Privest International Limited	Jersey	30	100	30	–	–
Bathusi Training (Proprietary) Limited*	South Africa	100	49	49	–	–
Bathusi Recruitment (Proprietary) Limited*	South Africa	100	49	49	–	–
Bathusi Staffing Services (Proprietary) Limited*	South Africa	100	49	49	–	–
Apgest Limitada	Mozambique	100	100	100	–	–
				1 689	234 905	238 818

NOTES

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

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

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

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

Priserv (Proprietary) Limited, Bathusi Recruitment (Proprietary) Limited, Bathusi Training (Proprietary) Limited and Apgest Limitada are dormant.

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

Market statistics

FOR THE YEAR ENDED 30 JUNE 2004	2004	2003
SECURITIES EXCHANGE PERFORMANCE		
Year-end closing market price of ordinary shares (cents)	29	20
High closing market price of ordinary shares (cents)	31	30
Low closing market price of ordinary shares (cents)	15	15
Volume of shares traded (million)	25,0	16,4
Value of shares traded (R'000)	6 004	3 300
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)	38 298	26 413
Market capitalisation at year-end excluding treasury and share trust shares (R'000)	33 840	23 946

Analysis of shareholding

AS AT 30 JUNE 2004	Number of shareholders	Number of shares held	% Share-holding
PORTFOLIO SIZE			
1 – 50 000 shares	537	3 413 501	2,6
50 001 – 500 000 shares	59	10 233 322	7,7
500 001 – 5 000 000 shares	21	28 977 978	21,9
over 5 000 000 shares	8	89 437 942	67,8
	625	132 062 743	100,0
CATEGORY			
Directors (beneficial, non-beneficial, direct and indirect) and management*	18	68 756 015	52,1
Nominee companies and schemes	15	18 294 999	13,9
Individual and other corporate bodies	592	45 011 729	34,0
	625	132 062 743	100,0
INTERESTS GREATER THAN 5%			
PIC Nominees (Proprietary) Limited		38 084 437	28,8
SD Nominees (Proprietary) Limited		20 015 200	15,2
Old Mutual Life Assurance Co SA Limited		12 016 274	9,1
Trade-Off 3029 cc		9 539 566	7,2
		79 655 477	60,3
SHAREHOLDER SPREAD			
Total non-public shareholders*	18	68 756 015	52,1
Public shareholders	607	63 306 728	47,9
	625	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.

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 advisor immediately.

Notice is hereby given that the sixth annual general meeting of the shareholders of Primeserv Group Limited will be held in the conference room at Primeserv HR Solutions, 2nd Floor, Atrium Terraces, 272 Oak Avenue, Randburg at 09:00 on Friday, 28 January 2005 for the following:

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

AS ORDINARY RESOLUTIONS

1. To receive and consider the Company annual financial statements and Group financial statements for the year ended 30 June 2004.

2. To confirm the re-appointment of the Company's auditors, Deloitte & Touche.

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:
   – AT McMillan
   – C Nkosi
   – NN Rodrigues
   – CS Seabrooke
   – DC Seaton

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

   Allan is an Executive Director of Primeserv Group Limited and was appointed to the Board in September 2004. He has been a director of various subsidiaries of Primeserv Group Limited since its listing and is currently Managing Director of its Outsourcing Division. He has been in the flexible staffing services sector for the past twelve years. Prior to this he was involved in the financial services sector.

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

   Constance is a Non-Executive Director of Primeserv Group Limited and was appointed to the Board in September 2004, with the qualifications BA, MBA, AEP. She is Executive Chairman of The Lidonga Group, an empowerment company; as well as a Non-Executive Director of Pick 'n Pay Limited; Non-Executive Chairman of First Technology (Pty) Limited and Deputy Chairman of Uthingo Management (Pty) Limited. Constance, who became the first black female to qualify from Wits Business School, is a sought-after business strategist and BEE policy advisor.

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

   Nelson is an Executive Director of Primeserv Group Limited and was appointed to the Board in September 2004, with the qualifications B.Com, B.Acc, CA(SA). He has over eighteen years' experience in the finance arena having worked for various companies including Nampak. He was Financial Director of two previously listed companies, namely, Woodrow Holdings Limited and Natural Health Holdings Limited.

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

   Desmond is a Non-Executive Director of Primeserv Group Limited and was appointed to the Board in August 2003, with the qualifications B.Com, LLB and Dip Tax. He is the founder member of TWS Consulting, a tax and legal consultancy. Desmond specialises in corporate, legal and tax advice and in particular the structure of commercial transactions. He is also a Non-Executive Director of Y3K Group Limited.

   3.5 C S Seabrooke does not offer himself for re-election in terms of the Company's Articles of Association

4. To authorise the Remuneration and Nomination Committee to confirm the remuneration of the directors for the year ended 30 June 2004, and to determine the remuneration of the directors for the year ending 30 June 2005.

5. To authorise the directors to determine the remuneration of the auditors for the year ended 30 June 2004.

6. That the authorised but unissued share capital of the Company be placed at the disposal and under the control of the directors of the Company and the directors are hereby authorised and empowered to 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 Act.

7. Subject to the passing of Ordinary Resolution number 6, that the directors of the Company be and they are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued share 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 Securities Exchange South Africa ("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, 15% (fifteen percent) of the Company's issued share capital of ordinary shares. 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) or more of the number of ordinary shares in issue prior to such issue; and
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of such shares, as determined over the thirty-day period prior to the date that the price of the issue is determined or agreed by the directors of the Company.

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

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

AS SPECIAL RESOLUTION

9. SPECIAL RESOLUTION NUMBER 1

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

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

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

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

– Directors and management (page 6)
– Major shareholders of Primeserv (page 44)
– Directors' interests in securities (page 23)
– Share capital of Primeserv (page 35)

9.2 Material change

Other than the facts and developments as referred to on page 21 of the annual report, there have been no material changes in the affairs or financial position of Primeserv and its subsidiaries since the date of signature of the audit report and the date of this notice.

9.3 Directors' responsibility statement

The directors, whose names are given on page 6 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution 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 this resolution contains all such information.

9.4 Litigation statement

In terms of Section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on page 6 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve months, a material effect on the Group's financial position.

9.5 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.

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

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

If you are a certificated or dematerialised shareholder with "own name" registration and unable to attend the annual general meeting of ordinary shareholders to be held in the conference room at Primeserv HR Solutions, 2nd Floor, Atrium Terraces, 272 Oak Avenue, Randburg on Friday, 28 January 2005 at 09:00 and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions therein. If you have dematerialised your shares with a Central Securities Depository Participant ("CSDP") or broker (other than "own name" dematerialised shareholders), you must arrange with them to provide you with the necessary authorisation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker in the manner and cut-off time stipulated therein.

A proxy form is enclosed for use at this sixth annual general meeting. Proxy forms should be forwarded to reach the share transfer secretaries not later than 09:00 on Wednesday, 26 January 2005.

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 this meeting is required for ordinary resolution number 6 to become effective.

By order of the Board

NN Rodrigues
Company Secretary

Johannesburg
22 December 2004

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

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

Shareholders' diary

FINANCIAL YEAR END	30 June 2004
REPORTS ON PROFIT STATEMENTS AND MEETINGS	
Reviewed results published	September 2004
Annual report published	December 2004
Annual general meeting	28 January 2005
NEXT FINANCIAL YEAR END	30 June 2005
REPORTS ON PROFIT STATEMENTS AND MEETINGS	
Half-year interim report to be published	March 2005
Reviewed results to be published	September 2005
Annual report to be published	October 2005
Annual general meeting	November 2005

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