PRIMESERV
GROUP LIMITED

Primeserv Group Limited
Annual Report 2007

Contents

Profile

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

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

These complementary and integrated divisions provide a holistic HR value chain that can be applied in its entirety or in modular form. These divisions encompass a comprehensive range of HR consulting solutions and services, corporate and vocational training programmes, technical skills training centres, computer training colleges, as well as resourcing and flexible staffing services, complemented by wage bureaus and HR logistics outsourcing operations.

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

Primeserv aims to enhance stakeholder wealth through sustainable earnings growth.

** Primeserv or the Group*

Financial highlights

	Audited 12 months 31 December 2007 R'000	% change	Pro forma 12 months 31 December 2006 R'000	Audited 18 months 31 December 2006 R'000
FINANCIAL RESULTS				
Revenue [(1)]	**474 197**	36	348 821	518 111
EBITDA	**19 741**	244	5 746	6 106
Operating profit	**17 912**	296	4 521	4 286
Attributable profit	**13 830**	193	4 717	5 636
Headline earnings	**13 818**	192	4 731	5 506
Total assets	**125 582**	44	87 424	87 424
Total liabilities	**32 832**	94	16 917	16 917
SEGMENTAL ANALYSIS				
Revenue [(1)]				
Outsourcing	**433 956**	39	312 703	465 928
Computer Training Colleges	**23 505**	16	20 207	28 611
HR Solutions	**16 736**	5	15 911	23 572
Operating profit				
Outsourcing	**23 787**	46	16 282	19 730
Computer Training Colleges	**4 220**	21	3 488	4 281
HR Solutions	**850**	157	(1 485)	(2 588)

	Audited 12 months 31 December 2007 cents	% change	Pro forma 12 months 31 December 2006 cents	Audited 18 months 31 December 2006 cents
PERFORMANCE PER SHARE				
Headline earnings	**12,06**	192	4,13	4,80
Dividends to shareholders	**2,0***	33	1,5	1,5
Net asset value	**49**	29	38	38
Closing share price	**75**	103	37	37
Price:earnings ratio (closing)	**14,3**	(19)	17,6	17,6

[(1)] Revenue note: *Excludes revenue from Bathusi Staffing Services (Proprietary) Limited, which was deconsolidated as a result of a B-BBEE transaction and has since been accounted for as an associate.*

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

Strategy

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

This objective is driven by three core strategies:

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

The Group's Broad-Based Black Economic Empowerment (B-BBEE) strategy is geared towards the ongoing transformation of the organisation through employment equity and skills development.

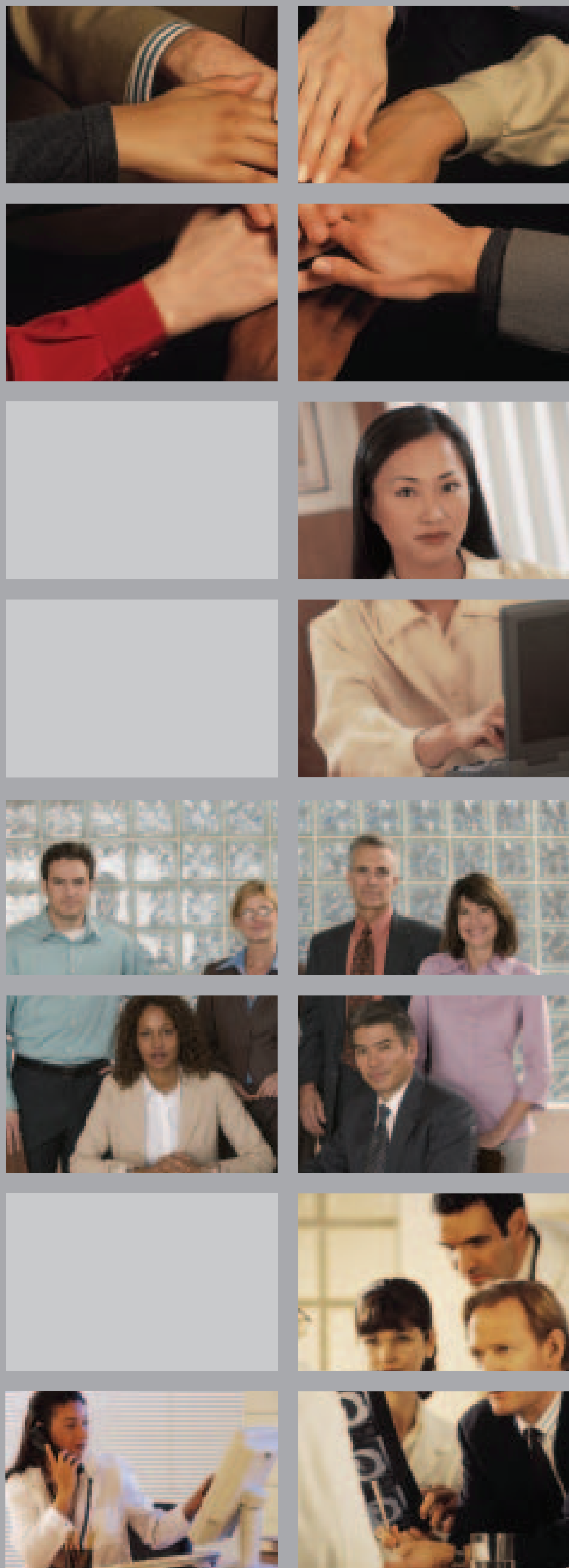
The Group is committed to:

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

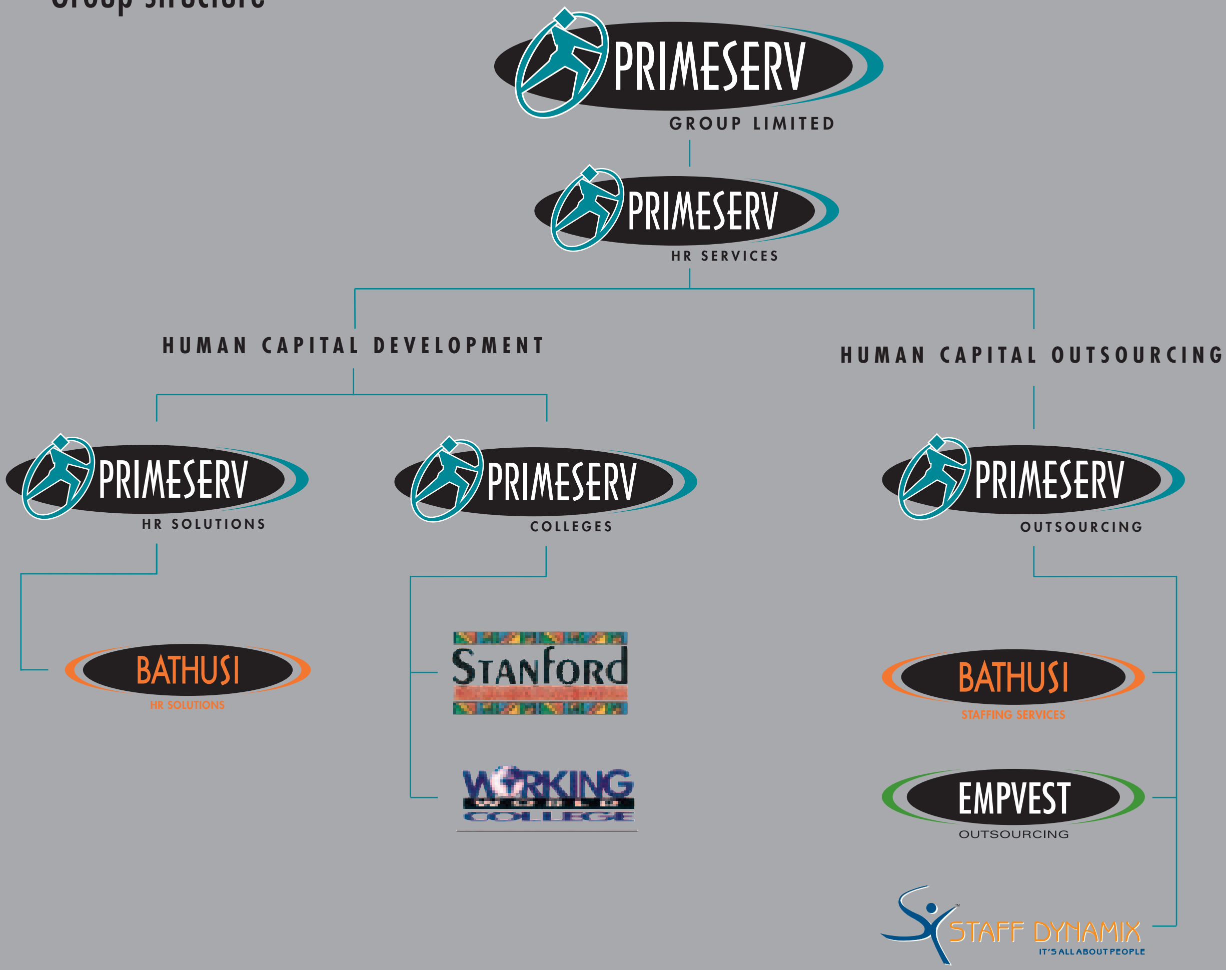
STRATEGIC REVIEW

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

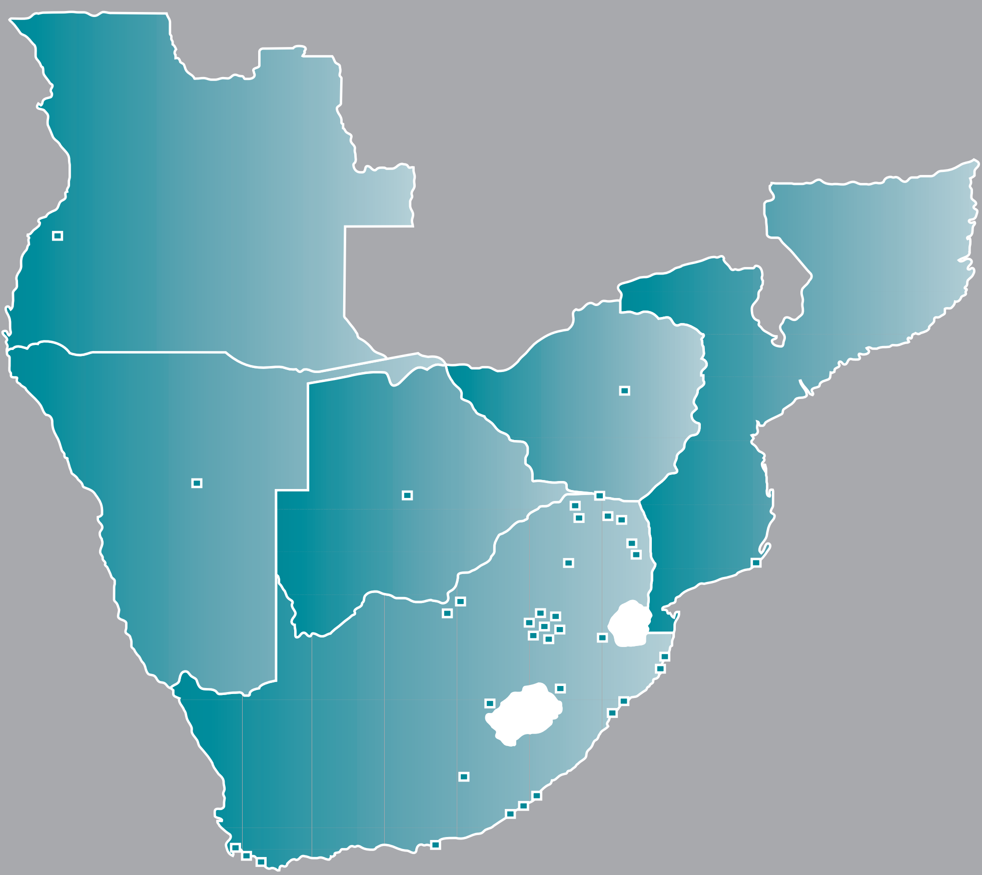
Effective resource allocation and cost containment continue to be key operational imperatives. The Group's performance culture has been promoted consistently through the implementation of its performance measurement processes. A complete commitment to transformation has resulted in an improved B-BBEE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



Group structure

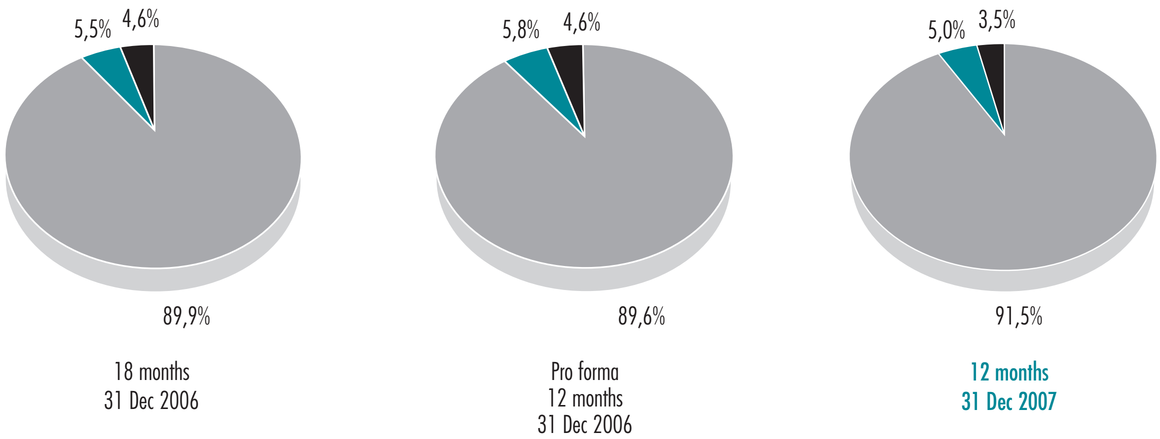


Regional representation

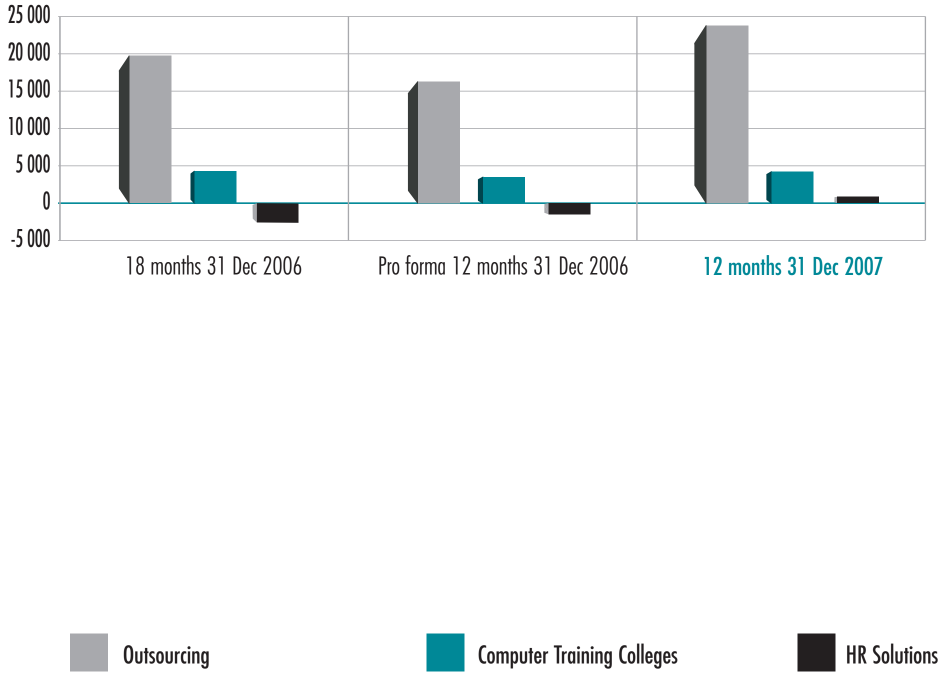


Graphical representation of segmental analysis

REVENUE (R'000)



DIVISIONAL OPERATING PROFIT (R'000)



The Primeserv Int**HR**grate™ Model

BACKGROUND AND CONTEXT

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

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

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

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

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

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

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

What is the Primeserv IntHRgrate™ Model?

HR ALIGNMENT WITH BUSINESS STRATEGY AND STRUCTURE

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

Key questions are:

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

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

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

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

HR PROCESSES

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

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

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

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

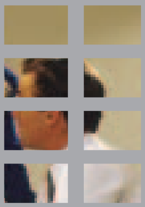
- **Performance Management**
  Performance measures from strategic to operational levels are essential in tracking performance against business strategy to allow short-term remedial actions to be taken and adjust medium- to long-term HR initiatives.

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

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

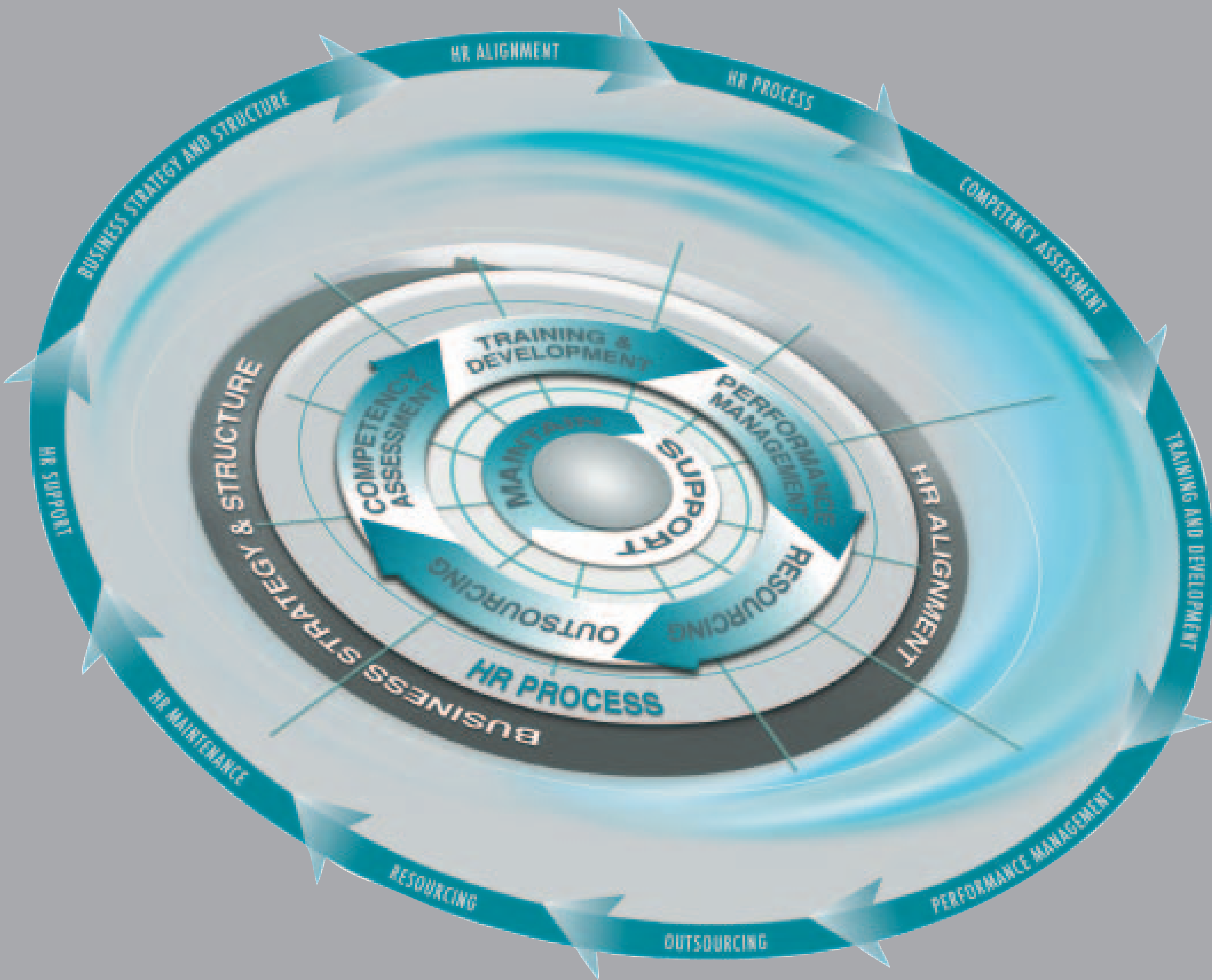
- **HR Maintenance**
  Efficient HR administrative systems will ensure that organisations meet their contractual obligations to their staff's overall satisfaction and ultimately their performance. These include payroll, reward and remuneration, health and safety and industrial relations.

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



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

The Primeserv Int**HR**grate™ Model



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

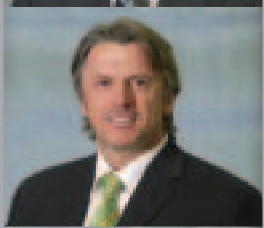
Directorate

1 J Michael Judin*
Non-Executive Chairman (61)
Dip Law
Appointed: August 1997

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

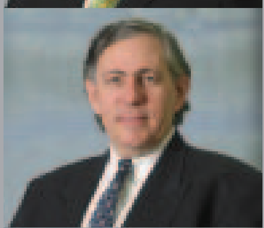
2 Merrick Abel
Chief Executive Officer (48)
BA (Hons), MBA
Appointed: August 1997

Merrick has served as CEO since founding the Group in 1997 and was Executive Chairman from 2000 to 2003. He has over 21 years' local and international commercial experience, particularly in the industrial and services industries.



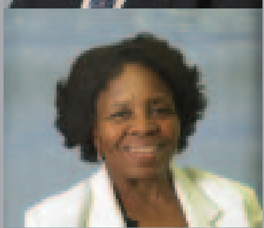
3 Allan T McMillan#
Executive Director (45)
BA
Appointed: September 2004

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



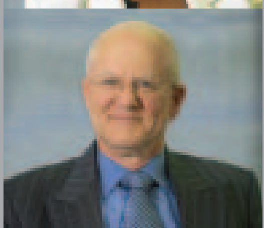
4 Saul Klein†*
Non-Executive Director (49)
BA (Econ), MBA, PhD
Appointed: March 1998

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



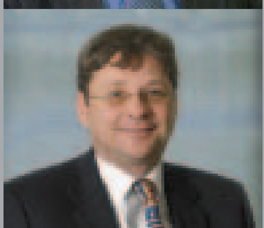
5 Constance Nkosi
Non-Executive Director (62)
BA, MBA, AEP
Appointed: September 2004
Resigned: August 2007

Constance is Executive Chairman of The Lidonga Group, an empowerment company; as well as a Non-Executive Director of Pick 'n Pay Limited; Non-Executive Chairman of First Technology (Proprietary) Limited, Deputy Chairman of Uthingo Management (Proprietary) Limited and Non-Executive Director of Protech Kuthele Holdings Limited. Constance, who became the first black female to qualify from Wits Business School, is a sought after business strategist and BEE policy adviser. Constance resigned from the Primeserv Board on 14 August 2007, but remains a director on the boards of certain subsidiary companies of the Group.



6 David L Rose*
Non-Executive Director (66)
BCom, BA, CA(SA), F.INST.D
Appointed: February 2005

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



7 Desmond C Seaton
Non-Executive Director (48)
BCom, LLB, Dip Tax
Appointed: August 2003

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

British † American * Independent

Non-Executive Chairman's statement

The year under review has been a turbulent one in terms of both politics and business, complicated by concerns about the availability and cost of power, growing domestic unrest over service delivery, unemployment and crime and the ongoing skills shortage crisis. These have all impacted to a greater or lesser measure on the human resources of organisations, affecting their ability to meet their business strategies.

Paradoxically, the volatile environment has worked in favour of Primeserv's HR Services' operations, since its products and services provide focused and effective solutions for these unpredictable conditions – conditions which are expected to prevail for some time to come. A 2008 talent shortage survey *(refer to page 64)*, reveals that 38% of South African businesses are having trouble finding skilled staff and that more than one in three organisations face a skills shortage. The survey, conducted annually among 43 000 employees in 32 countries, found that globally, 31% of companies are experiencing difficulties to fill positions.

Worldwide, the rapid development of technology, the greater marketability and mobility of the workforce and intense competition for skills are driving trends from which Primeserv is now benefiting, and increasingly, South African companies are realising that a paradigm shift in human capital practices is vital if they wish to compete in the global arena. Primeserv is now well positioned to benefit from this new awareness. It has refined its Int**HR**grate™ Model, unique to the South African marketplace, streamlined its structures and gained significantly in market and industry knowledge so that it is now poised to expand its client base, fulfilling businesses' requirements effectively.

We have seen solid indications of this development in our improved balance sheet and strong income statement. These have also been driven by our committed and principled management team which has effectively applied the sometimes painful lessons gained over the ten years since the Group listed on the JSE to the evolution of the organisation. Internal capabilities have been strengthened, costs effectively contained and profits accordingly improved.

Ongoing efforts are invested in the Group's transformation, with considerable focus being concentrated on our Broad-Based Black Economic Empowerment (B-BBEE) status. The Group unreservedly espouses B-BBEE, recognising not only the business but the moral imperative for the future of our nation. Key to the future success of South Africa and its SADEC neighbours is job creation and addressing the regional skills shortage. Consequently, we need to invest in growing the region's own internal resources and developing its people.

This is an area where Primeserv is making a meaningful contribution through its corporate and vocational programmes and its colleges, where primarily historically disadvantaged individuals are being trained with essential skills. Many of these are being registered in Primeserv's own outsourcing database. The development of these resources will provide a pool for national requirements, helping meet government's infrastructure programmes, such as ASGISA, the Extended Public Works Programmes and, of course, the plans for the FIFA 2010 World Cup. However, Primeserv is also looking well beyond 2010, to contribute towards the annual 6% economic growth rate targeted by government. Without appropriate skills, this goal will not be achieved.

The Group consciously strives to improve its corporate citizen status

The Group is committed to the implementation of corporate governance practices, reviewing processes and systems on a continual basis, consciously striving to improve its corporate citizen status and regarding these principles as a way of life and not purely a set of rules.

I record my appreciation to my fellow directors for our excellent working relationship and for their guidance, encouragement and active support during the year.

J MICHAEL JUDIN
Non-Executive Chairman

Johannesburg
28 March 2008

Chief Executive Officer's Review

A performance culture and a strong commitment to transformation will drive future growth

INTRODUCTION

During the year under review, we have seen a growing realisation in the market of the value of our integrated HR products, services and solutions. Globally, the function of sourcing, placing, training and managing human capital is increasingly being entrusted to professionals who handle the entire human resources value chain, as the benefits of this seamless integration become more evident. South African business is now also beginning to appreciate the advantages of integrated HR outsourcing.

Aware of the more conservative outlook of the South African market, Primeserv opted to develop its integrated HR products, services and solutions in a modular form, allowing clients to select one or more of its product and/or service modules from the full Primeserv range as clients become accustomed to the concept of outsourcing a function which traditionally has been kept in-house.

This strategy is now beginning to find increasing market acceptance as clients come to rely on Primeserv's professional services which focus on driving their productivity and performance efficiencies to enhance their businesses. Clients are outsourcing more of, and in many cases, all of their HR requirements to Primeserv, recognising the Group's ability to manage the potential of their human capital through Primeserv's integrated HR services offering.

In the process, Primeserv itself has reinforced its own understanding of clients' businesses and their strategies as well as of the vagaries of the South African market which, though influenced by global trends, also exhibits very specific local characteristics. The sensitivity to both national and international developments, coupled with the ongoing evolution of our products and services, has enabled Primeserv to fulfil the very demanding requirements of business in our volatile market. Primeserv has remained flexile, versatile and accordingly, relevant.

The refinement of the Group's products, services, operating infrastructure and organisational systems has focused the skills and proficiencies of the management team, ensuring that key strategic and operating units drive business effectively and profitably. The entrepreneurial management style, which is inherent in the established core management team, continues to stimulate development.

Primeserv's strength lies in its ability to provide customised, integrated, holistic services and solutions or single-set solutions and modular components delivered nationally through its HR Solutions, Outsourcing and Colleges divisions. These operations all complement each other to deliver the Int**HR**grate™ Model which positions Primeserv HR Services, the Group's operating pillar, as a leading and dynamic HR services provider.

Primeserv will continue to invest substantially in developing market-leading products and services, as well as in human and financial resources to promote its integrated HR services model with the objective of expanding its current client base and penetrating new markets.

FINANCIAL REVIEW

The results for the year ended 31 December 2007 make certain comparatives with the results reported previously impractical as they were for the eighteen months ended 31 December 2006. This was a result of the change in year-end from June to December.

All Group operations delivered improved year-on-year performance as outlined in the pro forma comparison on page 2 of this annual report.

Group revenue increased by 36% from R348,8 million for the pro forma twelve months ended 31 December 2006 to R474,2 million for the year under review. This excludes revenue generated by Bathusi Staffing Services (Pty) Limited ("Bathusi"), the Group's B-BBEE associate company, of R49,9 million.

Group EBITDA increased by 244% from R5,7 million to R19,7 million, whilst operating profit increased by 296% from R4,5 million to R17,9 million. The Group's operating margin percentage increased from 1,3% to 3,8%, reflecting improved operating efficiencies. Profit before tax increased by 207% from R5,6 million to R17,2 million, resulting in headline earnings per share increasing by 192% from 4,13 cents per share to 12,06 cents per share.

The balance sheet has continued to strengthen albeit that the Group has seen an increase in bank borrowings and trade payables. The Group increased its investment in working capital with trade receivables having risen from R48,3 million to R76,8 million while cash resources increased to R23,2 million. A large part of the increases in working capital and borrowings is directly attributable to the Staff Dynamix acquisition. Net asset value has increased by 29% from 38 cents per share to 49 cents per share.

Net finance costs increased during the year to R0,8 million (2007: finance income of R1,9 million) mainly as a result of the acquisition of the Staff Dynamix business.

Key Risks Affecting Operational Performance

Interest Rate

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

Credit

Credit risk consists mainly of cash deposits and trade receivables. The Group's approach is designed to limit exposure with any one financial institution which ensures that the Group's cash is placed with financial institutions with a high credit rating.

Trade receivables comprise a widespread client base in a diversity of industries. Terms are offered based on an assessment of credit risk and, where available and cost effective, the Group utilises credit insurance. Management evaluates credit risk relating to clients on an ongoing basis.

Liquidity

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

Credit facilities have been granted by FirstRand Bank Limited to address potential liquidity shortfalls.

Financial Strategies and Targets

Primeserv will continue to focus on both organic and acquisitive growth, improving its rate of return through enhanced efficiencies, working capital and margin management and maximising return on assets.

STRATEGIC REVIEW

Primeserv's philosophy as an investment holding company has been to focus on the human capital business. Its aim has been to position its operating divisions as market-driven, client-centric units which offer an integrated HR value proposition.

Chief Executive Officer's Review

This has led to the development of Primeserv's Int**HR**grate™ Model as the key platform of the Group's primary operating component – Primeserv HR Services.

Primeserv's Int**HR**grate™ Model is described in detail on pages 6 and 7. It is the unique differentiator which distinguishes Primeserv as a specialised operation, capable of delivering 360° integrated or modular suites of benchmarked, market-leading HR products, services and solutions. These unlock the entire HR process as a value driver in clients' businesses. Int**HR**grate™ has been created from Primeserv's profound understanding of the entire HR process from both strategic and operational perspectives. Ongoing research and development coupled with regular internal re-evaluation ensures that the Model remains relevant to our ever changing market requirements.

Over the ten years since our listing on the JSE, we have successfully established a reputation as a solid and significant player in the South African business-to-business environment and as an organisation which offers a specialised HR offering which is embodied in our Int**HR**grate™ Model. New technology is incorporated as it becomes financially and operationally viable, systems are improved on an ongoing basis and global best practices implemented, where relevant. The majority of Primeserv's product and service offerings are customised to specific clients and business and industry sectors.

Introducing the modular approach with the ultimate objective of managing the entire human capital chain has enabled the Group to hone its expertise, refine its product and service offerings and gain a greater understanding of fluctuating business and industry requirements. In the process, clients have developed confidence in Primeserv's abilities to deliver and Primeserv has often become their sole HR service provider. This enables Primeserv to streamline clients' processes and manage the HR function holistically, thus improving clients' productivity and performance, and in so doing, delivering an economically measurable benefit to them.

By far the greater percentage of our business is constituted of long-standing clients, many of whom have now entrusted the bulk of their human capital function to Primeserv. Primeserv has proved it ability to enhance service levels, impacting positively on our clients' profitability in ways which can be measured tangibly.

South Africa is gradually shedding its traditional twentieth century approach of conservative in-house HR management to enter the twenty-first century global mainstream of outsourcing. Worldwide, organisations are increasingly opting to concentrate resources in developing core activities, particularly as markets become more competitive. South Africa is feeling not only this pressure, but also has to contend with an ever more critical skills shortage, the need to train and develop new resource pools and to cope with peaks and troughs characterised by fluctuating staffing demands. Consequently, Primeserv HR Services and its operating divisions are strategically positioned to provide their tailored outsourced HR services accordingly.

During the year ahead, Primeserv intends to accelerate market penetration of its Int**HR**grate™ Model. Complementing this drive is the programme to increase internal capacity and capability to maintain the Group's key competitive strategic advantage. The internal working environment is closely monitored and enhanced to ensure ongoing improvement of the Group's organisational capability. This forms part of the strategy to position Primeserv as an employer of choice and as a preferred service provider within its markets.

The lessons learned and applied and the expertise gained over the past decade have brought Primeserv to the point where it is able to extract greater value from its structures and systems. This is reinforced by the continual re-evaluation and measurement of its strategy under the direction of the Group's Central Services team. Central Services provides strategic direction and tactical business planning, focusing on investment, financial control and analysis of resource allocation, risk assessment and the proactive management of the operating divisions, so as to deliver appropriate and sustainable returns for the Group and its shareholders and stakeholders.

OPERATIONAL REVIEW

During 2007, Primeserv has continued the Group-wide consolidation of strategic and operational plans which was initiated in 2006.

This has entailed efforts to streamline or shed non-value-adding components and to refine structures to attain optimum efficiencies. In line with Primeserv's philosophy that there is always room for improvement, performing areas also came under scrutiny to identify means of enhancing them.

Primeserv Human Capital Development
(Incorporating the Primeserv HR Solutions and Primeserv Colleges Divisions)

Primeserv HR Solutions

The HR Solutions division comprises the HR Consulting and Corporate Training and Technical Training units. Careful and steady progress has taken place over the period under review. These operations are in an increasingly better position to make a positive contribution to the Group.

The division delivered an operating profit of R0,85 million compared to the pro forma R1,5 million loss incurred for the previous twelve months.

Costs have been contained without jeopardising the division's specialised capability. The new structure, which has transformed the unit into a primarily outsourced operation managed with internal capability, has given the division greater flexibility, allowing it to provide a specific range of HR services and solutions at considerably less risk than previously.

The division provides key strategic support to the Group's other divisions.

Primeserv HR Services and its operating divisions customise their products, services and solutions to meet clients' needs

HR Consulting and Corporate Training

This unit provides customised HR solutions consulting, including performance management, profiling, skills development and training, and behavioural dynamics. Primeserv has developed proprietary processes and tools to analyse clients' human capital requirements and applies and implements them in ways that impact positively on business productivity and performance, meeting measurable performance objectives.

Primeserv complements this offering by developing operational, leadership and behavioural competence together with effective industrial relations and remuneration consulting services which enhance individual, team and organisational performance.

The year saw the full implementation of the division's redeveloped business model which has effectively promoted the performance of the consulting component of the division. This reorganisation has reduced fixed costs, ensuring service delivery and maintaining its internal intellectual capital.

This model functions by outsourcing onerous fixed costs, retaining its own key intellectual capital and products at the core. A team of outsourced product knowledge experts operates outside the core as consultants, trainers and agents who are deployed to clients. These professionals enjoy a special relationship with the operation in that while not employed by the unit, they derive most of their work from it. They utilise Primeserv proprietary products which are marketed and sold under the Primeserv brand.

Technical Training

The Technical Training operation designs both generic and customised programmes according to best practice standards specifically to meet clients' skills development requirements. As required, these are accredited by relevant accreditation authorities and aligned to the National Qualifications Framework, applicable Education and Training Quality Assurance bodies as well as to Sector Education and Training Authorities (SETAs) and their learnership programmes.

This operation contends with a difficult trading environment, facing not only a nationwide skills shortage, but the reluctance of many organisations to invest in required training and skills development, which impacts negatively on sales.

During the review period the Technical Training unit trained just over 4 000 individuals. The bulk of the training was concentrated on developing skills required by the construction and logistics industries.

Joint ventures with B-BBEE training companies play an important role. Through such initiatives, Primeserv gains access to facilities and equipment in key locations without having to make major investments in costly overheads. In turn, the B-BBEE partners benefit from Primeserv's top quality personnel, products and services. The unit has the advantage of the consequently greater delivery capability.

Primeserv Colleges

The Primeserv Colleges division comprises a network of colleges throughout the country, training individuals in a range of skills in short supply in the South African economy.

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

The division increased revenue on a year-on-year pro forma basis by 16% from R20,2 million to R23,5 million. Operating profit increased by 21% from R3,5 million to R4,2 million.

Chief Executive Officer's Review

Further investment into the promotion of the Stanford Business and Computer Colleges brand targeted at updating the image and modernising facilities and equipment to appeal to its target market was made during the review period. The division's network of colleges is continually evaluated and its value-for-money offering is assessed to ensure that it meets changing market requirements. Distance learning products have been updated so as to attract new learners.

In order to provide an integrated solution to the changing labour market requirements, the Colleges and Outsourcing divisions are implementing initiatives to align their service offerings. This includes improved listing of the Colleges' graduates on the Outsourcing operation's database for placement, thus providing this division with access to a new pool of skilled staff while promoting study within the Colleges division as a means to improving learners' workplace opportunities.

The Colleges division is also identifying skills currently in short supply in the country which it can develop within its own college network, particularly where such skills overlap with needs specific to the Outsourcing division's requirements. Already certain courses and training programmes have been introduced to address this need. The joint venture between the Colleges and Outsourcing divisions to provide call centre training through the Colleges' national network is producing call centre staff for placement in the market to satisfy the growth in the call centre environment.

The Colleges division trained some 6 000 learners during the review period. Courses ranged from six to twelve to eighteen months in duration.

Primeserv Human Capital Outsourcing
(Incorporating the Primeserv Outsourcing Division)

Primeserv Outsourcing

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

On a pro forma year-on-year comparison, revenue increased by 39% from R312,7 million to R433,9 million. The division's revenue benefited from the solid performance of the Staff Dynamix acquisition, although its impact was only for ten months. Operating profit increased by 46% from R16,3 million to R23,8 million.

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

The division fulfils temporary and long-term employment contracts as well as permanent positions for clients throughout southern Africa and manages large-scale projects internationally. The client base spans the entire economic spectrum, from small and medium enterprises to multinational corporates, parastatals and government departments.

The skills shortage, which is both a national and global phenomenon, increased competition and the consequent demand for enhanced productivity and maximised resource utilisation have led to the absolute necessity for workplace flexibility. Nowhere is this more true than in South Africa, which faces the additional challenges of uncertain power supply, high unemployment and poverty. The division's outsourced flexible staffing solutions, provided in both integrated and modular formats, in line with Primeserv's Int**HR**grate™ Model, are well placed to provide services within this environment.

The operation's strength lies in its ability to implement appropriate, customised client-centric services and solutions and address complex HR and IR challenges. It has become well known as the provider of choice for a large number of organisations across regional and sector divides. This success is due to its ability to meet HR and IR requirements, finding the right balance between the demands of organised labour, the commercial marketplace and government legislation.

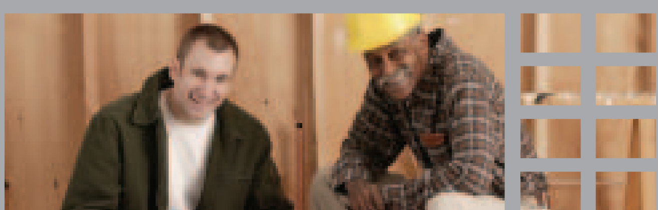
The acquisition of Staff Dynamix, a labour outsourcing business operating primarily in the logistics, industrial and retail sectors, has been bedded down and financial targets have been met. The company is delivering in line with expectations and its value contribution will be reflected more clearly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

Purchasing additional, established and reputable brands constitutes one of the pillars of Primeserv's strategy in the staff outsourcing sector, since it provides greater market penetration in areas where Primeserv does not have branches or capabilities and adds to its skills pools. The databases of such companies add further depth to Primeserv's own resources.

Primeserv Outsourcing ensures that stringent systems, financial controls and corporate processes are implemented while these brands, such as Staff Dynamix, retain their own culture, sales mechanisms and internal organisational hierarchy. This allows them to operate and sell within their familiar modus operandi while imposing financial and governance disciplines which meet Primeserv's rigorous standards and requirements in terms of legal and statutory compliances. This approach also stimulates the entrepreneurial style which operates at the heart of Primeserv's own philosophy.

In line with the division's expanding branch network, increased staffing capability and capacity, the logistics, warehousing, construction and industrial flexible staffing units performed well. The professional draughting and engineering staffing unit remained constrained by the continued dearth of suitably qualified and experienced contractors.

The division's mega-project wage bureau unit experienced later than planned start dates on certain key projects, such us Gautrain and Coega, nevertheless a positive contribution was delivered during the review period.



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

The outsourcing component of the Bathusi operation, which specialises in the provision of flexible staffing to the petrochemical, mining and allied industries, grew revenue by 12% from R43,8 million to R49,1 million.

The permanent resourcing unit, a small, niche component of the Outsourcing division, services the Primeserv Int**HR**grate™ Model delivering a value-added service to the Group's existing client base. It provides specialised permanent recruitment and executive search services with particular emphasis on historically disadvantaged candidates in the financial, banking, office support and technical staffing arenas. Though a profitable operation, it is also constrained by the shortage of suitable candidates for positions available.

The Outsourcing division, together with the Group's other HR Services divisions, continues to seek solutions that address the limitations brought about by the national skills shortage.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The Group has exceeded its primary B-BBEE objectives for the period, successfully bedding down the Bathusi transactions involving the transfer of a 25,8% interest in several Group operating subsidiaries to B-BBEE entities. This share is now held by Tsabatsaba Holdings (Pty) Limited (formerly Kgorong Investment Holdings (Pty) Limited) (7,9%); Lidonga Group Holdings (Pty) Limited, a woman's B-BBEE investment company (7,9%); Siyakhula Trust, a Section 18A social responsibility trust (2%) and B-BBEE management and staff (8%).

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

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

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

Primeserv Group Limited's operations achieved a Level 4 B-BBEE contributor rating for the year under review. Primeserv improved its rating from number 126 to number 55 in the authoritative Financial Mail/Empowerdex survey in 2007. From this solidly established platform, the Group aims to further its transformation during the year ahead.

CORPORATE SOCIAL INVESTMENT

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

Since the economic future of South Africa is substantially dependent on the country's youth, which Primeserv sees as particularly vulnerable, the majority of the Group's CSI efforts are directed at this sector.

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

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

Chief Executive Officer's Review

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

CORPORATE CITIZENSHIP

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

Salient features of the Group's corporate governance policies and procedures as well as on sustainability are recorded on pages 17 to 23 of this report.

PROSPECTS

The Group's primary Primeserv brand has built up a solid reputation with its stakeholders and very significantly with its clients, customers and learners and is continually gathering momentum as a preferred provider of human capital services. Constant evaluation and refinement of the Group's human capital products, services and solutions ensure that Primeserv is well positioned to meet changing market requirements relevantly and effectively. The investment in and development of the Group's management team, staff and organisational infrastructure is focused on invigorating the sales process and support infrastructure and on improving levels of service and professionalism.

Numerous initiatives are underway to promote Primeserv as an employer of choice, thereby attracting and retaining high calibre staff. These efforts are reinforced by enhancing the work environment, providing internal training, ensuring that opportunities are available for personal growth and development and balancing work-life demands.

The Group aims to maximise organic growth, expanding product and service offerings while also identifying and evaluating possible acquisitive opportunities. Appropriate B-BBEE initiatives which provide the Group with increased market opportunities are constantly being considered.

Under prevailing market conditions, and subject to its ability to overcome the dearth of skills in the segments of the labour market in which it operates, the Group anticipates improved results for the coming year.

ACKNOWLEDGEMENT

I am grateful to all stakeholders, clients, customers, learners, suppliers, business partners, shareholders, the Primeserv Board of Directors and particularly our management and staff for their commitment to our Group.

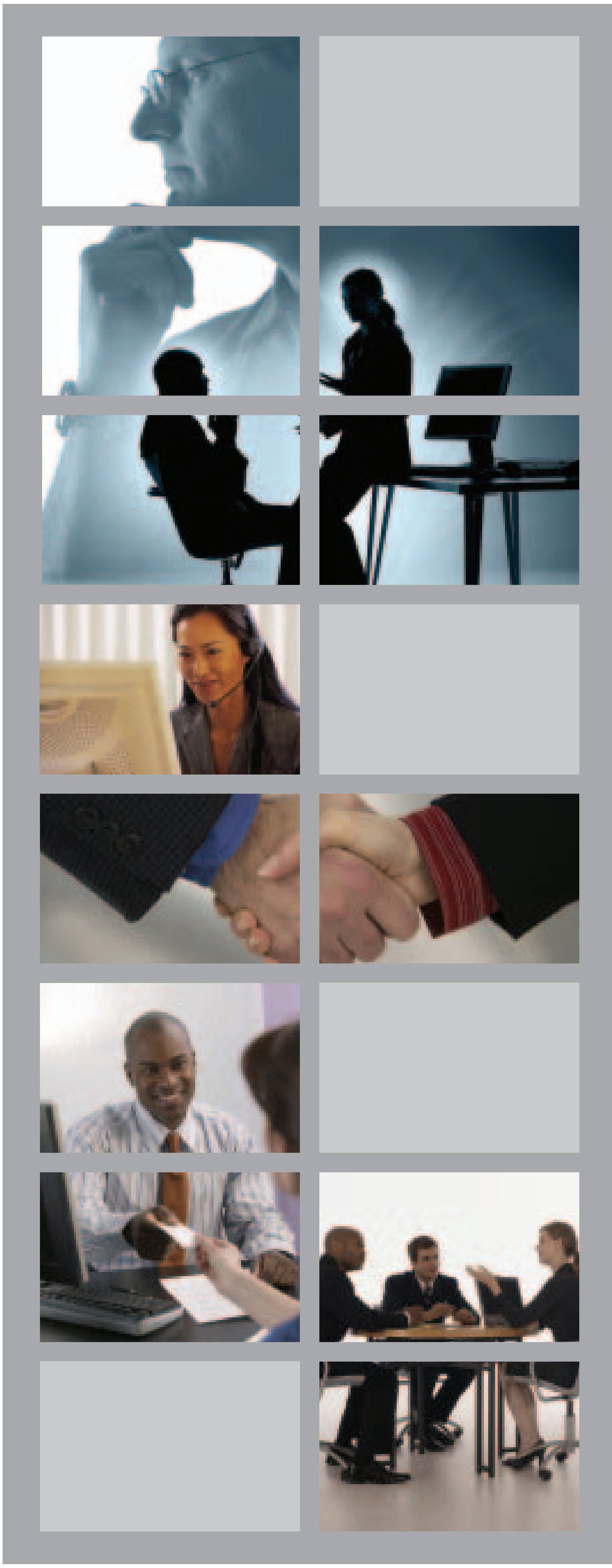
We are acutely aware that the Group's success is driven by the talent, energy and dedication of our people and we regard them as our greatest asset.

MERRICK ABEL
Chief Executive Officer

Johannesburg
28 March 2008

The Group's success is driven by the talent, energy and dedication of our people and we regard them as our greatest asset

Corporate citizenship



CORPORATE GOVERNANCE

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

Code of Ethics and Corporate Conduct

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

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

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

The Board of Directors

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

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

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

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

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

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

Corporate citizenship

The Audit, Governance and Risk Committee
The Audit and Governance Committee and the Risk Committee have been merged into a single committee.

The Committee during the year under review comprised DL Rose (Chairman), S Klein and DC Seaton. The Committee has terms of reference and an Audit, Governance and Risk Committee Charter, which is available on request. The Committee meets with the Chief Executive Officer, Chief Financial Officer and other senior executives/managers (when and if required), as well as the external auditors, to discuss issues of accounting, auditing, internal controls, financial reporting and corporate governance. The external auditors have unrestricted access to the Chairman of the Committee.

The Committee is responsible for:
- reviewing internal control structures
- financial reporting systems
- risk areas
- the reliability and accuracy of financial information provided to management and other users of financial information
- appointment of external and internal auditors
- accounting or auditing issues identified by external auditors
- the Group's compliance with legal and regulatory provisions
- the Group's Articles of Association
- the Code of Conduct
- by-laws and rules established by the Board

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

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

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

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

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

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

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

Details of individual directors' remuneration are set out on page 47 of this 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 according to the recommendations required for listed companies by the JSE. Executive directors have service contracts and restraint agreements, where applicable, which have been signed by the relevant executive directors.

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

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

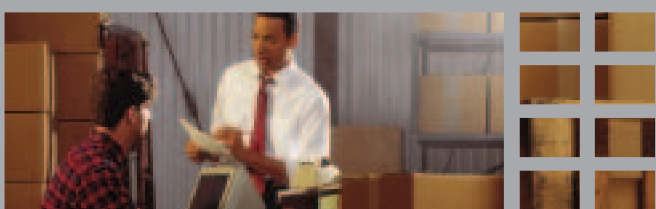
All directors are subject to election by shareholders, retire by staggered rotation and stand for re-election in accordance with the Company's Articles of Association. The names of directors submitted for election or re-election are accompanied by sufficient biographical information to enable shareholders 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 determines risk strategy 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 both the risk management process and significant risks facing the Group.

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

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



The Board and individual directors are committed to the values of transparency, integrity, responsibility and accountability

Financial Risk Management

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

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

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

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

Operational Risk Management

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

Senior management takes an active role in the risk management process and is responsible for the implementation, ongoing maintenance of and ultimate compliance with the risk process as it applies to each business unit. The Board is kept abreast of developments through formalised reporting structures, ongoing communication with management, regular management meetings at an operating subsidiary level and through representation of executive members of the Board on certain of the forums responsible for the management of risk at an operating subsidiary level. The Group remains committed to employing the highest calibre of staff to ensure a strong financial and operational infrastructure within each of the business units.

Accountability and Audit

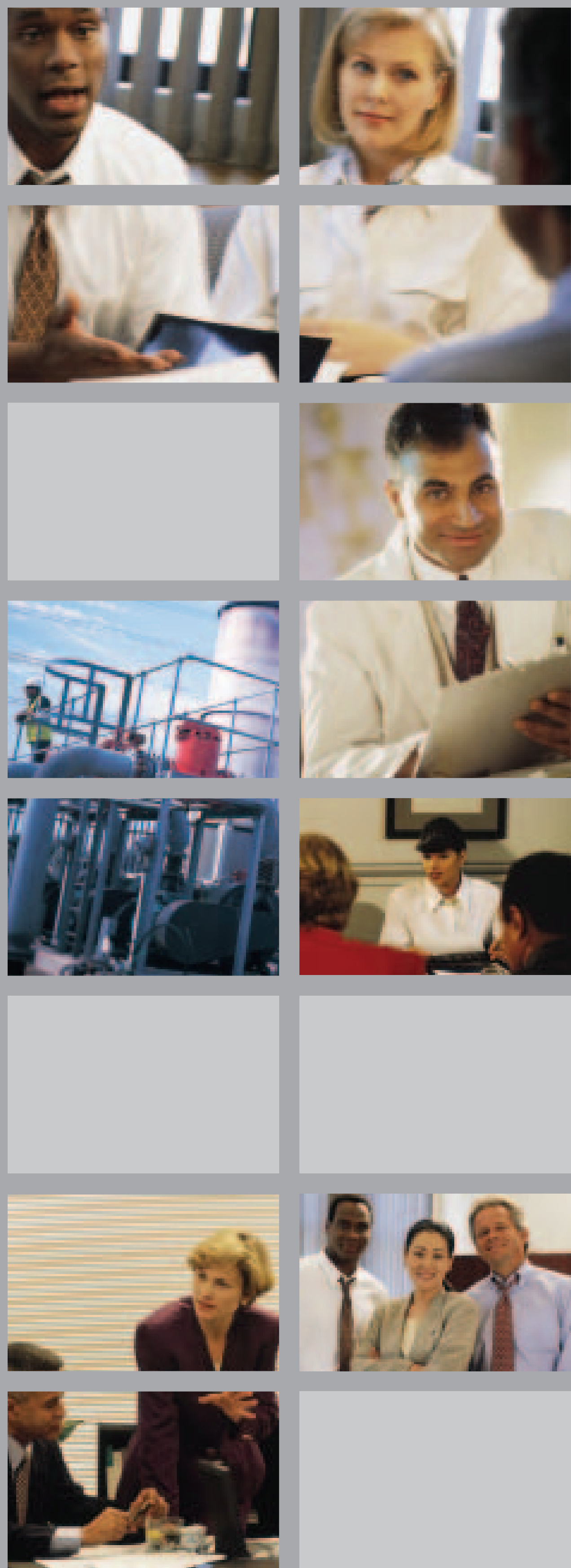
Going Concern

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

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

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

- the Group's combined operations are expected to remain profitable in the financial year to December 2008
- working capital remains well controlled and receivables are of sound quality
- the Group has sufficient borrowing capacity in terms of its existing facilities
- the Group has no need to dispose of any assets or undertake a capital restructuring
- key executive management is in place and performance management processes are being applied



Corporate citizenship

- the Group is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business
- the Group is monitoring and responding proactively to the spirit and terms of changes in legislation and B-BBEE initiatives.

Auditing and Accounting

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

Internal Control

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

Insurance

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

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

Insider Trading

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

Relations with Shareholders

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

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

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

Annual General Meeting

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

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

SUSTAINABILITY REPORT

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

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

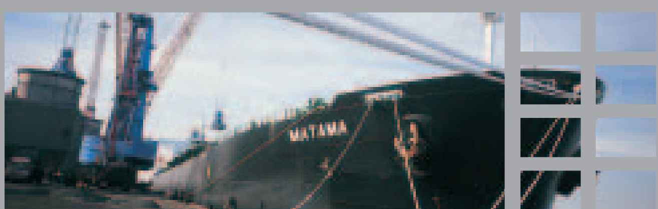
Governance Structure and Management Systems

Structure

Primeserv interacts with all its stakeholders according to the principles of transparency, reliability, integrity and trust. The formal structures, systems and governance culture encompass economic, environmental and social responsibility. The corporate governance report is detailed on pages 17 to 20 of this report.

Stakeholder Engagement

Primeserv supplies information to the public and its shareholders with due regard to relevance, openness, promptness and substance over form. Reporting is balanced by providing both the positive and negative aspects of the Group's performance. Regular presentations and meetings are held with investors and



Primeserv's sustainability strategy focuses on long-term economic, environmental and social imperatives as non-financial elements of sustainable business analysts to communicate the strategy and performance of the Group. Shareholders are also given the opportunity to put questions to the Board at annual general meetings.

A list of the major shareholders in the Group is shown on page 60 of the annual report.

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

Diversity and Opportunity

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

Non-discrimination

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

At Primeserv employees may exercise their rights in terms of the Basic Conditions of Employment Act without the fear of discrimination.

Disciplinary Practices

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

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

Security Practices

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

Social and Transformation Issues

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

Employment Equity

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

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

Skills Development

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

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

Equity and Practices

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

Corporate citizenship

Recruitment and Advertising

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

Selection Criteria and Appointments

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

Historically Disadvantaged Employees' Career Paths and Skills Development Plans

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

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

Broad-Based Black Economic Empowerment

Over and above measures to facilitate empowerment through employment practices, the Group strives to make a significant contribution to B-BBEE 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 skills upliftment and finance for the purpose of conducting business.

Primeserv has a strategic alliance with Tsabatsaba, a B-BBEE shareholder which evolved out of Kgorong Investment Holdings (Pty) Limited (having largely the same shareholding), together with which it identifies opportunities, develops market strategies and draws on transfer of skills.

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

Enterprise Development

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

B-BBEE Procurement

The objective is to increase the amount of money spent on procurement from B-BBEE-compliant enterprises and those that score at least 30% on the relevant B-BBEE scorecard.

Procurement from the above enterprises will ensure that the ripple effect of affirmative procurement is realised throughout the economy.

Corporate Social Investment

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

Since the economic future of South Africa is substantially dependent on the country's youth, which Primeserv sees as particularly vulnerable, the majority of the Group's CSI efforts are directed at this sector.

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

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

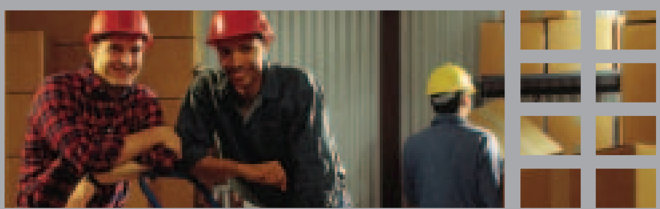
Aligned with its own core activities, Primeserv cooperates with NGOs to provide skills training through the training component of the HR Solutions division. This includes bursaries and subsidised computer and vocational training through the Colleges division. Relevant NGOs have been identified and numerous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

Safety, Health, Environment and Quality

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

Safety

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



Primeserv ensures that the sustainable capability of each empowerment entity meets the Group's commitment to transformation

Health

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

Environment

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

Quality

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

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

Human Rights

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

Consequently:

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

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

Bribery and Corruption

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

Political Contributions

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

Competition and Pricing

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

Product Responsibility

Advertising

Advertising is conducted through a variety of mediums by the business entities within the Group, targeting the markets and clients which are appropriate to each business unit. The Group has no record of charges having been laid by the public or competitors regarding misleading or unfair practices or advertisements.

Respect for privacy

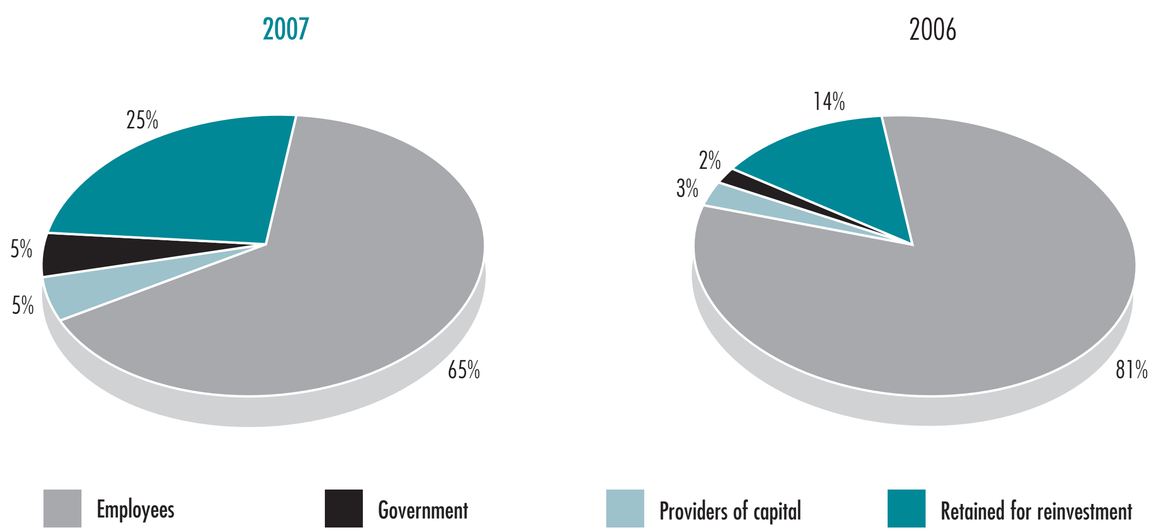
Policies and procedures are in place to maintain client privacy.

Value added statements

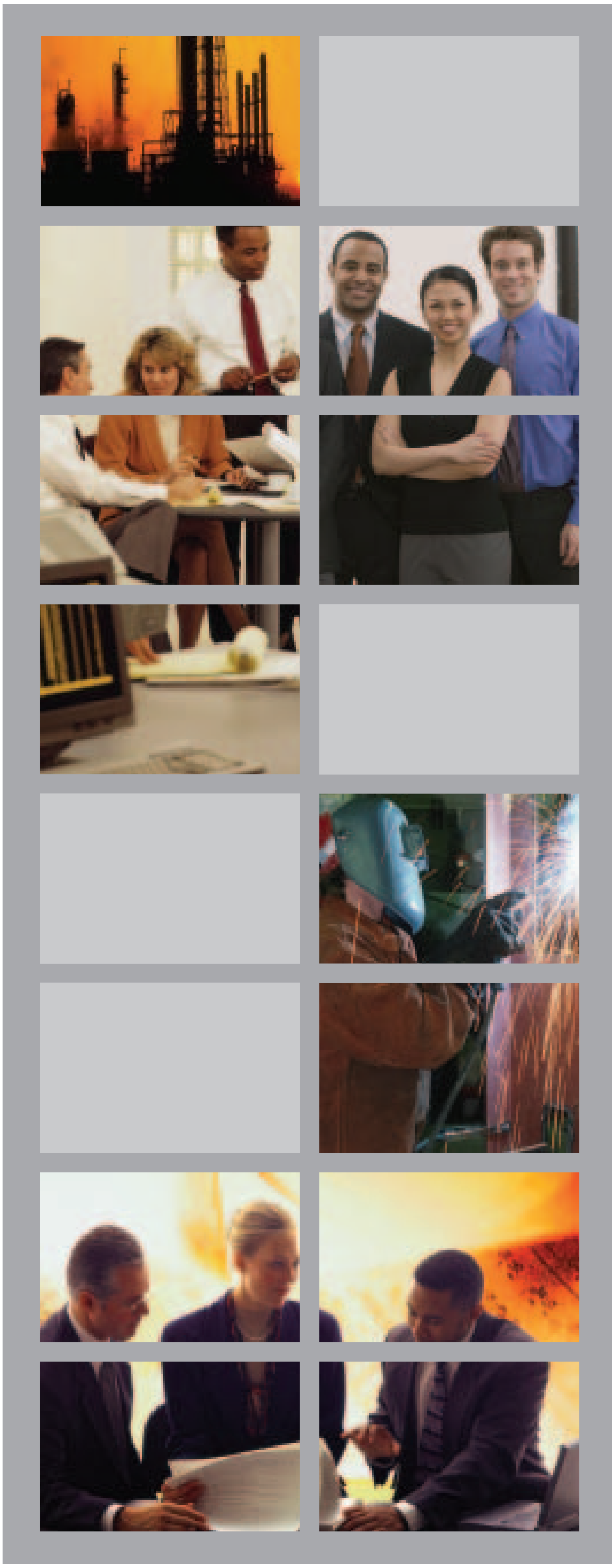
Wealth created is the value created by providing the Group's services. This statement shows how the wealth has been distributed.

	12 months 31 December 2007 R'000	%	18 months 31 December 2006 R'000	%
WEALTH CREATED				
Income from goods and services	474 197		518 111	
Less: Cost of goods and services	(414 027)		(467 645)	
Value added from operations	60 170		50 466	
Add: Interest received on investments	2 190		3 319	
Total value added	62 360	100	53 785	100
Utilised as follows:				
Employees				
Salaries and benefits	40 349	65	43 757	81
Providers of capital				
Interest on borrowings	3 002	5	1 397	3
Government – Company taxation	3 350	5	1 175	2
Current	411	1	48	–
Deferred	2 774	4	962	2
Secondary tax on companies	165	–	165	–
Retained for reinvestment	15 659	25	7 456	14
Depreciation	1 829	3	1 820	3
Income retained in the business	13 830	22	5 636	11
Total utilisation of value added	62 360	100	53 785	100

Value distribution in percentages



Contents to the annual financial statements



Directors' approval and responsibility statement

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

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

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

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

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

The financial statements were approved by the Board of Directors on 28 March 2008 and signed on its behalf by:

JM JUDIN
Non-Executive Chairman

M ABEL
Chief Executive Officer

Johannesburg
28 March 2008

Declaration by Company Secretary

For the year ended 31 December 2007 the Company has, to the best of my knowledge, lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act (61 of 1973), as amended, and that all such returns are true, correct and up to date.

R SACK
Company Secretary

Johannesburg
28 March 2008

Independent auditors' report

TO THE MEMBERS OF PRIMESERV GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements and Group financial statements of Primeserv Group Limited, which comprise the directors' report, the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended of the Company and the Group, and a summary of significant accounting policies and other explanatory notes as set out on pages 28 to 59.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements and Group financial statements present fairly, in all material respects, the financial position of Primeserv Group Limited as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the South African Companies Act.

PKF (Jhb) Inc.

PKF (Jhb) Inc.
Chartered Accountants (SA)
Registered Auditors
Registration number: 1994/001166/21

per: Jeffrey Borowitz
Director

Johannesburg
28 March 2008

Directors' report

NATURE OF BUSINESS

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

FINANCIAL RESULTS

The financial results of the Company and of the Group are set out on pages 30 to 58 of this report. A review of the Group's results and performance of the business units is contained in the Chief Executive Officer's review on pages 10 to 16.

SHARE CAPITAL

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

REPURCHASE OF SECURITIES

A general authority to repurchase further ordinary shares in the Company was granted in terms of a special resolution passed by the Company's shareholders on Friday, 22 June 2007, and registered by the Registrar of Companies ("general authority"). During the financial period under review, the Company acquired nil (2006: nil) ordinary shares on the open market.

The directors will seek approval at the annual general meeting for renewal of this authority.

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 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 the Group will be adequate and the consolidated assets of the Group will be in excess of its consolidated liabilities, fairly valued.

EMPLOYEE SHARE INCENTIVE SCHEME

The total number of shares, which may be purchased and/or in terms of which options may be granted, is equivalent to 20% of the issued share capital of the Company. At 31 December 2007, 6 528 193 (31 December 2006: 7 000 278) shares were held by The Primeserv Group Limited Share Trust for distribution to employees in terms of the Trust. At the same date, 5 758 639 (31 December 2006: 3 117 597) options have been granted to employees in terms of the rules of the Trust, leaving 769 554 (31 December 2006: 3 882 681) unallocated shares as a result of employees leaving the Group. The unallocated shares, together with the purchased shares, will be re-allocated in the 2008 financial year. The impact of IFRS 2 – Share-based Payments and section 8C of the Income Tax Act No 58 of 1962 has been evaluated in order to determine the optimum use of the shares held as an incentive mechanism. The directors use the scheme to retain key personnel and for the purpose of providing opportunities to employees to participate in the Group's growth and success.

DIVIDENDS

The Company declared a dividend (dividend declaration number 4) of 0,5 cents per ordinary share on 30 March 2007 and an interim dividend (dividend declaration number 5) of 0,5 cents per share on 20 September 2007 (2006: 1 cent). A final dividend of 1,5 cents per share was proposed after the balance sheet date.

DIRECTORATE AND SECRETARY

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

C Nkosi resigned as a director on 14 August 2007.

R Sack was Company Secretary throughout the financial period under review and at the date of this report.

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

SUBSIDIARY COMPANIES

Details of the Company's interest in its subsidiaries and associate are set out on page 59. The contribution to the Group's after tax profit and after preference dividend provided was R7,0 million in profits and R1,3 million in losses (31 December 2006: R2,3 million in profits and R2,3 million in losses) for the 12 months under review.

BUSINESS COMBINATIONS

On 1 March 2007, Primeserv Staff Dynamix (Pty) Limited, a subsidiary of Primeserv Group Limited, acquired the business of Stafflex (Pty) Limited. The ten-month results from date of acquisition have been consolidated into the Group results for the year ended 31 December 2007.

The total potential cost of the acquisition is estimated at R8,5 million.

ALLOCATION OF PROFITS TO MINORITIES

In the previous financial year certain of the subsidiaries issued preference share capital to the holding Company at the fair value of the businesses housed in those companies. The companies continued to generate profits in the current financial year leading to a reversal of a previous impairment adjustment of R4,3 million. As all the value is in the preference shares held by Primeserv Group Limited and as the outside shareholders hold the ordinary shares, there is no requirement in the current year to reflect any amount owing to them as minority interest or to adjust for IFRS 2.

Directors' report

DIRECTORS' INTERESTS

As at 31 December 2007, the aggregate direct and indirect, beneficial and non-beneficial interests of directors in the fully paid issued share capital of the Company were:

	2007 Beneficial	Non-Beneficial	2006 Beneficial	Non-beneficial
EXECUTIVE				
M Abel	18 014 741	–	17 989 741	–
AT McMillan	2 426 823	–	2 426 823	–
NON-EXECUTIVE				
JM Judin	900 000	–	873 000	–
S Klein	354 887	–	354 887	–
C Nkosi *	–	–	–	–
DL Rose	–	–	–	–
DC Seaton	750 000	–	750 000	–
	22 446 451	–	22 394 451	–

** C Nkosi resigned as a director on 14 August 2007.*

At the date of this report, M Abel has been granted 3 852 909 (2006: 2 735 000) share options. AT McMillan has been granted 1 850 000 (2006: 200 000) share options.

There has been no material change in the directors' interest in the issued share capital between 31 December 2007 and the date of this report.

The number of meetings attended by each of the directors of the Company during the period 1 January 2007 to 31 December 2007 is as follows:

	Board		Audit, Governance and Risk Committee		Remuneration and Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
M Abel	4	4	3	3 •	3	3 •
JM Judin	4	4	–	–	3	3
S Klein	4	4	3	3	3	3
AT McMillan	4	4	3	2 •	–	–
C Nkosi *	4	2	–	–	–	–
DL Rose	4	4	3	3	–	–
DC Seaton	4	4	3	3	3	3

** C Nkosi resigned as a director on 14 August 2007.*
• Attended by invitation.

PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, plant and equipment at a cost of R1,8 million (2006: R2,7 million) during the financial period under review. No major changes in the nature of the equipment and vehicles occurred during this period.

SUBSEQUENT EVENTS

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

Income statements

For the year ended 31 December 2007	Notes	Group 12 months 31 December 2007 R'000	Group 18 months 31 December 2006 R'000	Company 12 months 31 December 2007 R'000	Company 18 months 31 December 2006 R'000
Revenue*		474 197	518 111	–	–
Operating (costs)/income		(456 285)	(513 825)	(3 131)	47 374
Operating profit		17 912	4 286	(3 131)	47 374
Dividend received		–	–	11 914	6 417
Interest received	1	2 190	3 319	3 321	812
Interest paid	2	(3 002)	(1 397)	–	(2)
Interest paid on borrowings		(2 620)	(1 397)	–	(2)
IFRS 3 – Business Combinations charge**		(382)	–	–	–
Share of profits from associate	12	80	66	–	–
Profit before exceptional item		17 180	6 274	12 104	54 601
Exceptional item	3	–	537	–	–
Profit before taxation	4	17 180	6 811	12 104	54 601
Taxation	5	(3 350)	(1 175)	(126)	(19)
Profit for the period		13 830	5 636	11 978	54 582
Attributable to:					
Ordinary shareholders		13 830	5 636		
Minority shareholders		–	–		
Attributable profit		13 830	5 636		
Weighted average number of shares ('000)	6	114 569	114 662		
Diluted weighted average number of shares ('000)	6	117 162	116 382		
Earnings per share (cents)		12,07	4,92		
Diluted earnings per share (cents)		11,80	4,84		
Headline earnings per share (cents)		12,06	4,80		
Diluted headline earnings per share (cents)		11,79	4,73		

** Excludes revenue of R49 872 million (2006: R69 650 million) from Bathusi Staffing Services (Proprietary) Limited, which was deconsolidated as a result of a B-BBEE transaction and has since been accounted for as an associate.*

*** Interest raised in terms of IFRS 3 – Business Combinations.*

Balance sheets

As at 31 December 2007		Group		Company	
	Notes	31 December 2007 R'000	31 December 2006 R'000	31 December 2007 R'000	31 December 2006 R'000
ASSETS					
Non-current assets		21 826	17 944	28 735	12 264
Equipment and vehicles	7	4 639	3 117	243	160
Goodwill	8	7 127	–	–	–
Intangible assets	9	576	576	–	–
Investment in subsidiaries	10	–	–	24 736	9 219
Long-term receivables	11	–	451	–	–
Investment and loan in associate	12	3 183	4 725	1 793	1 680
Deferred tax asset	13	6 301	9 075	(34)	26
Advance to share trust	14	–	–	1 997	1 179
Current assets		103 756	69 480	44 667	44 210
Inventories	15	1 137	741	260	268
Trade receivables	16	76 755	48 252	–	–
Other receivables	16	2 485	2 254	302	83
Loans to subsidiaries	17	–	–	22 974	27 430
Taxation receivable		208	67	35	73
Cash and cash equivalents		23 171	18 166	21 096	16 356
Total assets		125 582	87 424	73 402	56 474
EQUITY AND LIABILITIES					
Capital and reserves		55 846	43 592	68 744	53 726
Ordinary share capital	18	1 321	1 321	1 321	1 321
Share premium		1 351	1 351	1 351	1 351
Distributable reserves/(accumulated loss)		57 645	45 050	7 464	(3 194)
Non-distributable reserve	19	–	–	58 553	54 248
Treasury shares	20	(2 215)	(2 215)	–	–
Share trust shares	21	(2 372)	(1 976)	–	–
Share-based payment reserve		55	–	55	–
Total equity attributable to equity holders of the Company		55 785	43 531	68 744	53 726
Minority interest		61	61	–	–
Non-current liabilities		680	262	–	–
Interest-bearing financial liabilities	22	680	262	–	–
Current liabilities		69 056	43 570	4 658	2 748
Trade and other payables		36 904	26 915	4 658	2 748
Current portion of financial liabilities	22	572	387	–	–
Short-term vendor obligation		818	–	–	–
Bank borrowings	23	30 762	16 268	–	–
Total equity and liabilities		125 582	87 424	73 402	56 474
Number of shares in issue at period ('000) (net of treasury and share trust shares)		114 889	114 417		
Net asset value per share (cents) (capital and reserves divided by number of shares in issue at period-end)		49	38		

Statements of changes in equity

For the year ended 31 December 2007	Notes	Group 12 months 31 December 2007 R'000	Group 18 months 31 December 2006 R'000	Company 12 months 31 December 2007 R'000	Company 18 months 31 December 2006 R'000
Share capital		1 321	1 321	1 321	1 321
Share premium		1 351	1 351	1 351	1 351
Distributable reserves/(accumulated loss)		57 645	45 050	7 464	(3 194)
Balance at beginning of period		45 050	40 716	(3 194)	(2 226)
Profit for the period		13 830	5 636	11 978	54 582
Transfer to non-distributable reserve		–	–	–	(54 248)
Dividend paid		(1 235)	(1 302)	(1 320)	(1 302)
Non-distributable reserve	19	–	–	58 553	54 248
Balance at beginning of period		–	–	54 248	–
Increase in non-distributable reserve – reversal of impairment adjustment		–	–	4 305	–
Transfer to non-distributable reserve		–	–	–	54 248
Treasury shares	20	(2 215)	(2 215)	–	–
Share trust shares	21	(2 372)	(1 976)	–	–
Balance at beginning of period		(1 976)	(1 837)	–	–
Purchase of shares		(396)	(139)	–	–
Minority interest		61	61	–	–
Balance at beginning of period		61	61	–	–
Increase in minority interest		–	–	–	–
Share-based payment reserve		55	–	55	–
Balance at beginning of period		–	–	–	–
Increase in reserve		55	–	55	–
		55 846	43 592	68 744	53 726

Cash flow statements

For the year ended 31 December 2007	Notes	Group 12 months 31 December 2007 R'000	Group 18 months 31 December 2006 R'000	Company 12 months 31 December 2007 R'000	Company 18 months 31 December 2006 R'000
Cash flows from operating activities		(3 776)	(1 049)	3 081	9 990
Profit before taxation		17 180	6 811	12 104	54 601
Adjustments		2 600	255	(15 336)	(46 697)
– net interest paid/(received)		812	(1 922)	(3 321)	(810)
– dividends received		–	–	(11 914)	(6 417)
– non-cash flow items		(41)	357	(152)	(39 603)
– depreciation		1 829	1 820	51	133
Operating cash flow before working capital changes		19 780	7 066	(3 232)	7 904
Working capital changes		(21 174)	(8 582)	1 699	86
– (increase)/decrease in inventories		(396)	238	8	59
– (increase) in trade and other receivables		(28 734)	(15 917)	(219)	(68)
– increase in trade and other payables		7 956	7 097	1 910	95
Cash (utilised in)/generated from operations		(1 394)	(1 516)	(1 533)	7 990
Net interest (paid)/received		(430)	1 922	3 321	810
Net dividend (paid)/received		(1 235)	(1 297)	1 321	1 321
Taxation paid	A	(717)	(158)	(28)	(131)
Cash flows from investing activities		(175)	(2 367)	2 477	(1 013)
Purchase of equipment and vehicles to maintain operations		(1 817)	(2 724)	(134)	(29)
Proceeds on disposal of equipment and vehicles		20	357	–	–
Investment in associate		1 622	–	(113)	–
Loans from subsidiaries		–	–	2 724	(984)
Cash flows from financing activities		(5 723)	62	(818)	(139)
Decrease in financial liabilities		(329)	(120)	–	–
Decrease in long-term receivables		–	319	–	–
Long-term receivables		451	(137)	(818)	(139)
Repurchase of securities		(396)	–	–	–
Cash flows relating to new acquisition	B	(5 449)	–	–	–
Net (decrease)/increase in cash and cash equivalents		(9 674)	(3 354)	4 740	8 838
Cash and cash equivalents at beginning of period		1 511	4 865	16 356	7 518
Cash and cash equivalents at end of period	C	(8 163)	1 511	21 096	16 356

Notes to the cash flow statements

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000
A. TAXATION PAID				
Amount refundable/(unpaid) at beginning of period	67	122	73	(40)
Amount charged to the income statement	(576)	(213)	(66)	(18)
Amount unpaid at end of period	(208)	(67)	(35)	(73)
	(717)	(158)	(28)	(131)
B. CASH FLOWS RELATING TO ACQUISITION				
Assets purchased	(1 537)	–	–	–
Liabilities assumed (instalment sale agreements)	747	–	–	–
Liabilities assumed (contractor provisions)	2 033	–	–	–
Goodwill	(7 128)	–	–	–
	(5 885)	–	–	–
Loan payable	436	–	–	–
	(5 449)	–	–	–
C. CASH AT BANK AND BORROWINGS AT PERIOD-END				
Cash at bank	23 171	18 166	21 096	16 356
Short-term borrowings	(572)	(387)	–	–
Bank borrowings	(30 762)	(16 268)	–	–
	(8 163)	1 511	21 096	16 356
Cash at bank and borrowings are comprised as follows:				
South African Rand	(8 206)	1 467	21 073	16 333
Foreign currencies *	43	44	23	23
	(8 163)	1 511	21 096	16 356

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

Summary of accounting policies

For the year ended 31 December 2007

PRINCIPAL ACCOUNTING POLICIES

The financial statements incorporate the following principal accounting policies, which are consistent with those applied in the previous period, as a result of the adoption of International Financial Reporting Standards (IFRS). The IFRS policies have been applied to both years presented, unless otherwise stated.

BASIS OF PREPARATION

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

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

Standards, interpretations and amendments to published standards that are effective for the 31 December 2007 year-end

Certain new standards, amendments and interpretations to existing standards have been published that are effective for the first time on the Group's accounting period:

IFRS 7 – Financial Instruments: Disclosures (effective from 1 January 2007) and the consequential amendments to IAS 1 – Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 27).

None of the interpretations issued by the International Financial Reporting Interpretations Committee have been applicable for the current year.

PRINCIPLES OF CONSOLIDATION

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

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

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

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

Investments in subsidiaries are accounted for at cost in the Company accounts. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

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

ASSOCIATES

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

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

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

INTANGIBLE ASSETS

Goodwill

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

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

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

Goodwill is tested annually for impairment and whenever there is an indicator of impairment. For the purposes of impairment testing goodwill is allocated to cash generating units expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognised if the carrying amount of the cash generating unit exceeds its recoverable amount.

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

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

Summary of accounting policies

For the year ended 31 December 2007

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

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

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

FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

DEFERRED TAXATION

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

DEFERRED TAX ASSETS

Future taxable profits are estimated based on plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

SHARE CAPITAL

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

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

Summary of accounting policies

For the year ended 31 December 2007

EMPLOYEE BENEFITS

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

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

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

LOANS AND RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

LEGAL RIGHT OF SET-OFF

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

FINANCIAL LIABILITIES

Loans and Other Payables

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

Provisions

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

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with respect to services rendered up to the balance sheet date.

TAXATION

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

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

INVENTORIES

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

RETIREMENT BENEFITS

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

BORROWINGS AND CASH AT BANK

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

EQUIPMENT AND VEHICLES

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

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

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

REVENUE

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

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

Summary of accounting policies

For the year ended 31 December 2007

FOREIGN CURRENCIES

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

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

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.

OPERATING LEASE PAYMENTS

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

FINANCE LEASE PAYMENTS

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Lease finance charges are amortised over the duration of the lease using the rate of interest implicit in the lease agreement at the time that the lease was entered into.

BORROWING COSTS

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

SEGMENT REPORTING

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

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

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

ESTIMATED IMPAIRMENT OF GOODWILL AND INTANGIBLES

- The carrying value of goodwill at 1 April 2004 is not amortised but carried at cost less impairment losses.
- Intangible assets are recorded at cost less accumulated amortisation and impairments.
- In both cases, impairments are tested for annually.

SOURCES OF ESTIMATION UNCERTAINTY

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

JUDGEMENTS MADE BY MANAGEMENT

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

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

Asset Lives and Residual Values

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

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

IAS 1 – Presentation of Financial Statements. Added disclosures about an entity's capital. Annual periods beginning on or after 1 January 2007.

IFRS 2 – Share-based Payment (effective 1 January 2009). Amendment relating to vesting conditions and cancellations.

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

IFRS 8 – Operating Segments (effective 1 January 2009).

IAS 1 – Presentation of Financial Statements (effective 1 January 2009). Comprehensive revisions including requiring a statement of comprehensive income.

IAS 27 – Consolidated and separate financial statements (effective 1 July 2009). Consequential amendments arising from amendments to IFRS 3.

IAS 28 – Investments in Associates (effective 1 July 2009). Consequential amendments arising from amendments to IFRS 3.

IAS 31 – Interests in Joint Ventures (effective 1 July 2009). Consequential amendments arising from amendments to IFRS 3.

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

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000
1. INTEREST RECEIVED				
Using the effective interest rate method				
Interest received – cash and cash equivalents	2 190	3 319	3 321	812
	2 190	3 319	3 321	812
2. INTEREST PAID				
Bank borrowings	2 492	1 286	–	2
Finance leases	128	111	–	–
IFRS 3 – Business Combinations charge	382	–	–	–
	3 002	1 397	–	2
3. EXCEPTIONAL ITEM				
Disposal of an operation which had previously been impaired	–	537	–	–
	–	537	–	–
4. PROFIT BEFORE TAXATION				
Profit/(loss) before taxation is stated after taking into account the following:				
Income				
Management fees	–	–	4 325	8 274
Dividends received/accrued	–	–	11 914	6 417
Losses on foreign exchange	–	46	–	56
Profit on sale of property, plant and equipment	16	183	–	–
Expenses				
Auditors' remuneration	202	739	(300)	179
– audit fees current year	150	739	(300)	179
– audit fees prior year	52	–	–	–
Cost of sales	374 733	412 785	–	–
Depreciation	1 829	1 820	51	133
– computer equipment	891	866	36	50
– motor vehicles	370	182	–	–
– furniture, fittings and equipment	568	772	15	83
Net unimpairment of investment	–	–	–	48 171
Interest paid	3 002	1 397	–	2
– finance leases	128	111	–	–
– bank and other borrowings	2 874	1 286	–	2
Operating lease rentals	10 505	12 884	1 230	1 393
– equipment and vehicles	3 074	3 616	–	–
– premises	7 431	9 268	1 230	1 393
Share-based payment	55	–	55	–
Retirement costs	2 270	2 066	365	294
Staff costs (includes executive directors' remuneration – refer to note 24)	42 781	55 346	–	–
Key management remuneration (included in staff costs above)	6 306	8 481	–	–
Directors' fees (non-executive directors)	772	1 255	772	1 255

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000
5. TAXATION				
SA normal taxation	576	213	67	19
– current	411	48	67	19
– secondary tax on companies (STC)	165	165	–	–
Deferred tax	2 774	962	59	–
– current	2 774	962	59	–
	3 350	1 175	126	19
	%	%	%	%
Tax rate reconciliation				
Statutory tax rate	29,0	29,0	29,0	29,0
Overprovision in previous period	–	–	–	(0,3)
Non-deductible items	12,0	41,7	0,5	–
Non-taxable items	–	(2,3)	(28,5)	(28,7)
Share of associate income	0,1	0,3	–	–
Trademark allowances	(22,6)	(53,8)	–	–
Secondary tax on companies (STC)	1,0	2,4	–	–
Effective tax rate	19,5	17,3	1,0	–
6. 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)	114 569	114 662	–	–
Add: Shares held for options granted by share trust ('000)	2 593	1 720	–	–
Diluted number of shares in issue ('000)	117 162	116 382	–	–
Earnings	13 830	5 636	–	–
After-tax effect of profit on sale of assets	(12)	(130)	–	–
Headline earnings	13 818	5 506	–	–
7. EQUIPMENT AND VEHICLES				
Cost				
Computer equipment	7 048	5 885	462	351
Motor vehicles	2 526	1 149	–	–
Furniture, fittings and equipment	7 845	7 070	684	661
	17 419	14 104	1 146	1 012

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000
7. EQUIPMENT AND VEHICLES (continued)				
Accumulated depreciation				
Computer equipment	5 602	4 713	366	337
Motor vehicles	1 214	849	–	–
Furniture, fittings and equipment	5 964	5 425	537	515
	12 780	10 987	903	852
Net book value at end of period				
Computer equipment	1 446	1 172	96	14
Motor vehicles	1 312	300	–	–
Furniture, fittings and equipment	1 881	1 645	147	146
	4 639	3 117	243	160
Movement for the period				
Cost at beginning of period	14 104	12 297	1 012	983
Accumulated depreciation at beginning of period	(10 987)	(9 885)	(852)	(719)
Net book value at beginning of period	3 117	2 412	160	264
Additions				
Computer equipment	1 066	1 571	111	19
Motor vehicles	1 476	293	–	–
Furniture, fittings and equipment	812	862	23	10
	3 354	2 726	134	29
Depreciation				
Computer equipment	(891)	(866)	(36)	(50)
Motor vehicles	(370)	(182)	–	–
Furniture fittings and equipment	(568)	(772)	(15)	(83)
	(1 829)	(1 820)	(51)	(133)
Disposals				
Computer equipment	–	(43)	–	–
Motor vehicles	(3)	(87)	–	–
Furniture, fittings and equipment	–	(71)	–	–
	(3)	(201)	–	–
Net book value at end of period	4 639	3 117	243	160
Motor vehicles with a book value of R1 111 126 (2006: R697 787) are encumbered as per note 22.				
8. GOODWILL				
Goodwill on acquisition of the business of Staff Dynamix	7 127	–	–	–

Notes to the annual financial statements

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000
9. INTANGIBLES ASSETS				
Cost of trademarks related to business acquired	810	810	–	–
Less: Accumulated trademark amortisation	(234)	(234)	–	–
Net book value at end of period	576	576	–	–
10. INVESTMENT IN SUBSIDIARIES				
Ordinary shares at cost	–	–	2	2
Class A preference shares				
Cost	–	–	79 800	79 800
Impairment	–	–	(34 340)	(34 340)
Net book value	–	–	45 460	45 460
Class B preference shares				
Cost	–	–	83 312	112 280
Sold during the period	–	–	–	(28 968)
Impairment	–	–	(83 312)	(83 312)
Net book value	–	–	–	–
Preference dividend accrued	–	–	15 689	5 096
Impairment of investments	–	–	(36 415)	(41 339)
Sub-total	–	–	(20 726)	(36 243)
Net investment in subsidiaries	–	–	24 736	9 219
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 59 of the financial statements.				
11. LONG-TERM RECEIVABLES				
Receivables to be collected in excess of one year	–	451	–	–
	–	451	–	–
12. INVESTMENT AND LOAN IN ASSOCIATE				
Balance at beginning of period	4 725	5 247	–	–
Loans to associate company	(1 622)	(588)	1 793	1 680
Share of profits from associate	80	66	–	–
	3 183	4 725	1 793	1 680

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000
12. INVESTMENT AND LOAN IN ASSOCIATE (CONTINUED)				
The income statement and balance sheet of the associate from the date it became an associate are summarised as follows:				
Income Statement				
Revenue	49 872	69 650	–	–
Net operating costs	(49 623)	(69 443)	–	–
Profit before taxation	249	207	–	–
Taxation	(75)	(62)	–	–
Profit after taxation	174	145	–	–
Balance Sheet				
Property, plant and equipment	23	60	–	–
Goodwill	4 877	4 877	–	–
Deferred tax	384	460	–	–
Inventories	26	16	–	–
Trade and other receivables	4 175	5 052	–	–
Cash	295	57	–	–
Total assets	9 780	10 522	–	–
Trade and other payables	(12 432)	(13 347)	–	–
Total shareholders' funds	(2 652)	(2 825)	–	–

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

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

	Group 2007	Group 2006	Company 2007	Company 2006
13. DEFERRED TAX ASSET				
Assessable losses*	3 802	7 448	(67)	44
Provisions	2 496	1 798	71	4
Prepayments	(75)	(30)	(38)	(22)
Deferred income	286	90	–	–
Work-in-progress	(215)	(238)	–	–
IAS 39 adjustments	7	7	–	–
	6 301	9 075	(34)	26
Reconciliation between deferred tax opening and closing balance				
Deferred tax opening balance	9 075	10 037	26	26
Assessable losses	(3 645)	(1 470)	(106)	44
Provisions	698	171	62	(25)
Prepayments	(45)	36	(16)	(19)
Deferred income	196	4	–	–
Work-in-progress	22	148	–	–
Capital Gains Tax	–	149	–	–
Deferred tax asset at end of period	6 301	9 075	(34)	26

** Tax losses amounting to R59 702 521 (2006: R47 989 817) have not been recognised. Tax losses amounting to R13 111 865 (2006: R30 587 230) have been recognised on the basis of future sustainable profits that have been estimated for in the next three financial years.*

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000
14. ADVANCE TO THE SHARE TRUST				
The Company has advanced R1 997 416 (2006: R1 179 529) to the Primeserv Group Limited Share Trust for the acquisition of 6 528 193 (2006: 7 000 278) shares.	–	–	1 997	1 179
Primeserv Group Limited ordinary shares at fair value	–	–	4 896	2 590
15. INVENTORIES				
Inventories comprise of consumable goods including personal protective equipment, books, manuals and other course material	1 137	741	260	268
16. TRADE AND OTHER RECEIVABLES				
Trade receivables	76 426	47 714	–	–
Other receivables	2 485	2 254	172	9
Prepayments	329	538	130	74
	79 240	50 506	302	83
Trade receivables are encumbered as per note 23.				
Trade receivables that are less than three months overdue are not considered impaired. As at 31 December 2007, trade receivables of R6,7 million (2006: R6,1 million) were past due but not impaired. These debts relate to a number of independent clients for whom there is no recent history of default. The age analysis of these trade receivables is as follows:				
Up to 3 months	69 312	41 669	–	–
3 to 6 months	7 443	6 583	–	–
	76 755	48 252	–	–
Allowance for impairment (bad debt provision)				
Balance at beginning of period	2 645	682	–	–
Impairments recognised in income statement	4 028	2 145	–	–
Reversal of impairments recognised in income statement	(1 590)	(182)	–	–
Balance at end of period	5 083	2 645	–	–
Credit risk exposure				
Maximum exposure to credit losses of trade receivables	81 248	50 210	–	–
Credit risk exposure mitigated through:				
VAT reclaimable from South African Revenue Service	(8 927)	(5 571)	–	–
Credit insurance contracts	(49 883)	(30 898)	–	–
Impairment provision	(5 083)	(2 645)	–	–
Residual exposure	17 355	11 096	–	–
Financial asset risk exposure – other receivables				
Prepayments	329	538	–	–
Deposits	598	501	–	–
Staff loans	71	51	–	–
Other receivables	1 487	1 164	–	–
	2 485	2 254	–	–
Refer to note 36 regarding exposure to interest rate risk.				

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000
17. LOANS TO SUBSIDIARIES				
Balance at beginning of period	–	–	27 430	230 776
Loans converted into preference share capital	–	–	–	(192 080)
Movement	–	–	(4 456)	(11 266)
Balance at end of period	–	–	22 974	27 430
The loans are unsecured and have no fixed terms of repayment. The loans are interest free except that to Primeserv Staff Dynamix (Proprietary) Limited, which bears interest at the prime rate. The balances will be settled in cash. No guarantees have been given or received. No provision for doubtful debts has been raised against amounts outstanding and no expense has been recognised during the period in respect of bad or doubtful debts due from related parties.				
18. ORDINARY SHARE CAPITAL				
Authorised				
500 000 000 ordinary shares of 1 cent each	5 000	5 000	5 000	5 000
Issued				
132 062 743 (2006: 132 062 743) ordinary shares of 1 cent each	1 321	1 321	1 321	1 321
There are nil (2006: nil) shares to be issued in respect of shares outstanding in terms of the Primeserv Group Limited Share Trust.				
Unissued shares				
The unissued shares totalling 367 937 257 (2006: 367 937 257) shares of 1 cent each are under the control of the directors subject to the provisions of Sections 221 and 222 of the Companies Act and the Listings Requirements of the JSE Limited.				
The authority is valid until the next annual general meeting.				
Reconciliation of shares in issue:				
Shares in issue	114 889 061	114 416 976	–	–
Treasury shares	10 645 489	10 645 489	–	–
Primeserv Group Limited Share Trust	6 528 193	7 000 278	–	–
Issued share capital	132 062 743	132 062 743	–	–
19. NON-DISTRIBUTABLE RESERVE				
The non-distributable reserve arises from the unimpairment of assets previously impaired against the share premium account of the Company	–	–	58 553	54 248
20. TREASURY SHARES				
Comprises 10 645 489 (2006:10 645 489) Primeserv Group Limited ordinary shares purchased in terms of shareholder approval obtained	2 215	2 215	–	–

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000
21. SHARE TRUST SHARES				
Comprises 6 528 193 (2006: 7 000 278) Primeserv Group Limited ordinary shares. The Primeserv Group Limited Share Trust has been consolidated into the Group in terms of a directive issued by the JSE Limited in February 2004	2 372	1 976	–	–
22. LONG-TERM INTEREST-BEARING BORROWINGS				
Finance agreements	680	262	–	–
Total owing (refer to note 31)	1 252	649	–	–
Current portion included with short-term loans	(572)	(387)	–	–
	680	262	–	–
The loans are repayable in monthly instalments, inclusive of interest, at rates varying from 12,5% to 14,978% and are secured over related equipment and vehicles, with a book value of R 1 324 857 (2006: R697 787).				
Interest-bearing borrowings				
Short-term portion	572	387	–	–
Long-term portion	680	262	–	–
Total	1 252	649	–	–
Finance lease commitments				
Payable within one year – vehicles and equipment	700	428	–	–
Payable two to five years – vehicles and equipment	805	310	–	–
	1 505	738	–	–
Prepaid finance charges	(253)	(89)	–	–
Capital amount owing	1 252	649	–	–
Borrowing powers				
In terms of the Company's Articles of Association, the borrowing powers of the Company are unlimited.				
23. BANK BORROWINGS				
Invoice finance	30 762	16 268	–	–
The finance is secured over the book debts of Primeserv ABC Recruitment (Proprietary) Limited, Primeserv Employee Solutions (Proprietary) Limited, Primeserv Staff Dynamix (Proprietary) Limited and Bathusi Staffing Services (Proprietary) Limited and bears interest at 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	–	–	–	–
The bank overdraft is secured over the book debt of Primeserv Training (Proprietary) Limited, Primeserv Recruitment (Proprietary) Limited and Primeserv Corporate Solutions (Proprietary) Limited and bears interest at the prime bank overdraft rate per annum.				
	30 762	16 268	–	–

For the year ended 31 December 2007

24. DIRECTORS' REMUNERATION

	Directors' fees R'000	Basic remune-ration R'000	Allowances R'000	Bonuses R'000	Share options exercised R'000	Retirement funding benefits R'000	Medical aid benefits R'000	Total 2007 R'000
2007 – COMPANY								
The remuneration paid to directors of the Company, whilst in office during the twelve months ended 31 December 2007, can be analysed as follows:								
Executive Directors	–	3 323	324	200	639	346	55	4 887
M Abel *	–	2 199	120	130	536	247	28	3 260
AT McMillan *	–	1 124	204	70	103	99	27	1 627
Non-executive Directors	659	–	113	–	–	–	–	772
JM Judin	161	–	–	–	–	–	–	161
S Klein	161	–	113	–	–	–	–	274
C Nkosi #	106	–	–	–	–	–	–	106
DL Rose	116	–	–	–	–	–	–	116
DC Seaton	115	–	–	–	–	–	–	115
	659	3 323	437	200	639	346	55	5 659

 # C Nkosi resigned on 14 August 2007 and her remuneration is therefore only for seven months.
** Bonuses paid relate to the 2006 financial year.*
There are no directors where the remaining period of the service-contract exceeds three years and the notice period exceeds three months.

	Directors' fees R'000	Basic remune-ration R'000	Allowances R'000	Bonuses R'000	Share options exercised R'000	Retirement funding benefits R'000	Medical aid benefits R'000	Total R'000
2006 – COMPANY								
The remuneration paid to directors of the Company, whilst in office during the eighteen months ended 31 December 2006, can be analysed as follows:								
Executive Directors	–	5 472	580	253	–	509	77	6 891
M Abel *	–	3 087	194	100	–	298	30	3 709
AT McMillan *	–	1 604	306	70	–	138	33	2 151
NN Rodrigues # *	–	781	80	83	–	73	14	1 031
Non-executive Directors	1 008	–	147	100	–	–	–	1 255
JM Judin	233	–	–	–	–	–	–	233
S Klein	233	–	147	–	–	–	–	380
C Nkosi	153	–	–	–	–	–	–	153
DL Rose	222	–	–	–	–	–	–	222
DC Seaton *	167	–	–	100	–	–	–	267
	1 008	5 472	727	353	–	509	77	8 146

 # NN Rodrigues resigned on 25 April 2006 and his remuneration is therefore only for ten months.
** Bonuses paid relate to the 2005 financial year.*
There are no directors where the remaining period of the service contract exceeds three years and the notice period exceeds three months.

For the year ended 31 December 2007

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

	No of options as at 30 June 2005	No of options exercised during the period	No of options lapsed during the year	No of options as at 31 Dec 2006	Option exercise price cents	Date from which exercisable	Expiry date
2006 – COMPANY							
The interest of the executive directors and employees provided in the form of options are shown in the table below:							
M Abel	450 000	–	–	450 000	6	29/04/1998	28/04/2008
M Abel	2 050 000	–	–	2 050 000	16	08/11/2000	31/05/2010
M Abel	235 000	–	–	235 000	20	05/09/2003	04/09/2013
AT McMillan	200 000	–	–	200 000	20	05/09/2003	04/09/2013
Employees	86 067	–	–	86 067	6	29/04/1998	28/04/2008
Employees	12 200	–	–	12 200	6	17/09/1998	16/09/2008
Employees	65 000	–	–	65 000	6	18/10/1999	17/10/2009
Employees	3 000	–	–	3 000	6	05/01/1999	04/01/2009
Employees	2 250	–	–	2 250	6	05/05/1999	04/05/2009
Employees	14 080	–	–	14 080	16	01/06/2000	31/05/2010
	3 117 597	–	–	3 117 597			

Share options are granted to selected directors and selected employees. The exercise price of the granted options is the cost of the unissued shares in the trust at the date the options are granted or 90% of the ruling market price as at the grant date. The options vest and are exercisable over periods of time up to ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The weighted average fair value of options granted during the period is calculated using the Black-Scholes valuation model and is expensed in the period in which the options are granted. The significant inputs into the model include the weighted average share price at the grant date, the exercise price, a risk-free interest rate assumption and the volatility of the share measured as the standard deviation of the share price based on an analysis of the daily share prices over the same period as the vesting period measured retrospectively. During the period an amount of R54 708 (2006: R nil) was charged against income in respect of options granted.

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000
26. CONTINGENT LIABILITIES				
Guarantees issued by bankers to various companies and government bodies	–	–	–	–

The Company and certain of its fellow subsidiaries have signed surety to FirstRand Bank Limited in favour of its fellow subsidiaries for debtors financing and normal banking facilities granted. The net amount outstanding in the subsidiaries in respect of these facilities at year-end is R 30 579 940 (2006: R9 553 252). The increase is primarily attributable to the business acquired during the year.

There has been an assessment issued by the South African Revenue Service (SARS) to one of the Group's subsidiaries for PAYE, interest and penalties amounting to R6,1 million. The Group's tax advisors disagree with the assessment and the necessary objections have been lodged with SARS. The Group has, however, made a payment to SARS without admission of liability and SARS has agreed that the amount will be repaid, should the appeal be successful or the matter be resolved at a lesser amount.

27. FINANCIAL INSTRUMENTS

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

Interest rate risk

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

Liquidity risk

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

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

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

Credit risk

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

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For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000

27. FINANCIAL INSTRUMENTS (CONTINUED)

Capital Risk Management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 22 and 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 18 to 21.

28. RETIREMENT BENEFITS

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

Retirement costs for the year amounted to R2 269 805 (2006: R2 066 358) with 46 % of employees (which include temporary and those on limited duration contracts) belonging to the pension fund.

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

29. RELATED PARTY TRANSACTIONS

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

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

As part of the ongoing maintenance and retention of key personnel programme, fixed term employment contracts terminating on 31 July 2008 have been entered into with the executive directors M Abel and AT McMillan. The contract entered into with M Abel includes terms and conditions relating to an interest-free loan facility through the Primeserv Group Limited Share Trust with a maximum of R700 000. Such amount will fund the purchase by him of shares in the Company at a price not exceeding 10% above the ruling market price. Such shares will be regarded as scheme shares for the purpose of the Primeserv Group Limited Share Trust, until such time as the loan is repaid.

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000
29. RELATED PARTY TRANSACTIONS (CONTINUED)				
AT McMillan is party to share-based incentives made available through the share trust.				
During the year, the Company paid R220 000 to Thoth Consulting cc, being a related party to DC Seaton, for consulting services rendered.				
30. CAPITAL COMMITMENTS				
The Group does not have any material capital commitments planned or actual for the forthcoming year.				
31. OPERATING AND FINANCE LEASE COMMITMENTS				
Operating lease commitments				
Future operating lease charges for property, plant and equipment				
Payable within one year				
– premises	5 619	1 795	831	830
– vehicles and equipment	2 435	1 763	–	–
	8 054	3 558	831	830
Payable two to five years				
– premises	3 524	1 668	–	659
– vehicles and equipment	3 084	956	–	–
	6 608	2 624	–	659
There are no lease commitments beyond the five-year period. Leases on premises are subject to escalation with renewal options at the Group's discretion.				

For the year ended 31 December 2007

	Outsourcing R'000	Computer Training Colleges R'000	HR Solutions R'000	Central Services R'000	Group Consolidated R'000
32. SEGMENTAL ANALYSIS					
2007 – (12 months ended 31 December)					
Revenue	433 956	23 505	16 736	–	474 197
Operating profit/(loss)	23 787	4 220	850	(10 945)	17 912
Profit/(loss) before taxation	20 045	4 221	839	(7 925)	17 180
Capital additions	2 565	308	272	137	3 282
Depreciation	1 116	306	332	75	1 829
Assets	88 621	12 434	6 155	18 372	125 582
Liabilities	61 031	1 062	2 663	4 980	69 736
2006 – (18 months ended 31 December)					
Revenue	465 928	28 611	23 572	–	518 111
Operating profit/(loss)	19 730	4 281	(2 588)	(17 137)	4 286
Profit/(loss) before taxation	20 971	4 283	(2 116)	(16 327)	6 811
Capital additions	2 046	392	257	29	2 724
Depreciation	920	335	432	133	1 820
Assets	53 851	8 787	4 158	20 628	87 424
Liabilities	37 183	1 618	1 522	3 509	43 832

All segments traded in South Africa during the current year.

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

The Outsourcing segment provides flexible staffing solutions. The Computer Training Colleges segment provides computer literacy and vocational skills training. The HR Solutions segment provides a comprehensive range of HR solutions and corporate and technical training services.

33. CHANGE IN FINANCIAL YEAR-END AND COMPARATIVE FIGURES

The Group has changed its financial year-end from 30 June to 31 December to better align its reporting with its business cycle and operational requirements and accordingly the results for December 2006 were for an eighteen-month period. The comparative amounts for the income statement, balance sheet, statement of changes in equity, cash flow statement and the related notes are therefore not truly comparable to the results for the year ended 31 December 2007.

For the year ended 31 December 2007	Group		Company	
	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000	12 months 31 December 2007 R'000	18 months 31 December 2006 R'000

34. BUSINESS COMBINATION

On 1 March 2007, Primeserv Staff Dynamix (Pty) Limited, a subsidiary of Primeserv Group Limited, acquired the business of Stafflex (Pty) Limited. The ten-month results from date of acquisition have been consolidated into the Group results for the year ended 31 December 2007.

The total potential cost of the acquisition is estimated at R8,5 million, being an amount equal to three times the business' estimated profit before tax for the year ended 29 February 2008.

Goodwill, representing the difference between the cost of acquisition of the business acquired and the fair value of the identifiable net assets acquired, amounts to R7,1 million.

The purchase consideration price was discharged as follows:

- R750 000 for the net asset value of tangible assets taken over on acquisition was paid on 31 March 2007.
- Payments of R732 000 which were made on behalf of the seller between May and December.
- Contractor provisions of R2 million were taken over on acquisition.

The balance of the purchase consideration is payable on 30 June 2008.

The liability recognised for the outstanding purchase price is stated as the present value of the amount payable less the R750 000 already paid, the R732 000 receivable from the seller as well as other loans receivable from the seller amounting to R3,9 million, leaving a net amount payable of R818 000.

The total liability to the seller, net of these amounts, has been discounted in terms of IFRS 3 – Business Combinations, at a rate of 8,7%, representing the notional imputed post tax rate at which the imputed interest cost would impact on the Group's profits.

For the year ended 31 December 2007

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
35. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION				
GROUP – 2007				
Non-current assets	–	–	21 826	21 826
Property, plant and equipment	–	–	4 639	4 639
Goodwill	–	–	7 127	7 127
Intangible assets	–	–	576	576
Investment in associate companies	–	–	3 183	3 183
Deferred taxation	–	–	6 301	6 301
Current assets	102 411	–	1 345	103 756
Inventories	–	–	1 137	1 137
Trade and other receivables	79 240	–	–	79 240
Taxation	–	–	208	208
Cash and cash equivalents	23 171	–	–	23 171
Total assets	102 411	–	23 171	125 582
Non-current liabilities	–	37 584	–	37 584
Interest-bearing borrowings	–	680	–	680
Loans and payables	–	36 904	–	36 904
Current liabilities	–	32 152	–	32 152
Bank overdraft	–	30 762	–	30 762
Short-term vendor obligation	–	818	–	818
Current portion of interest-bearing borrowings	–	572	–	572
Total liabilities	–	69 736	–	69 736

For the year ended 31 December 2007

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
35. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION (CONTINUED)				
GROUP – 2006				
Non-current assets	451	–	17 493	17 944
Property, plant and equipment	–	–	3 117	3 117
Intangible assets	–	–	576	576
Investment in associate companies	–	–	4 725	4 725
Loans and receivables	451	–	–	451
Deferred taxation	–	–	9 075	9 075
Current assets	68 672	–	808	69 480
Inventories	–	–	741	741
Trade and other receivables	50 506	–	–	50 506
Taxation	–	–	67	67
Cash and cash equivalents	18 166	–	–	18 166
Total assets	69 123	–	18 301	87 424
Non-current liabilities	–	27 177	–	27 177
Interest-bearing borrowings	–	262	–	262
Loans and payables	–	26 915	–	26 915
Current liabilities	–	16 655	–	16 655
Bank overdraft	–	16 268	–	16 268
Current portion of interest-bearing borrowings	–	387	–	387
Total liabilities	–	43 832	–	43 832

For the year ended 31 December 2007

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
35. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION (CONTINUED)				
COMPANY – 2007				
Non-current assets	17 686	–	11 049	28 735
Property, plant and equipment	–	–	243	243
Investments in subsidiaries	–	–	9 047	9 047
Investment in associate companies	–	–	1 793	1 793
Loans and receivables	17 686	–	–	17 686
Deferred taxation	–	–	(34)	(34)
Current assets	44 372	–	295	44 667
Loans receivable	22 974	–	–	22 974
Inventories	–	–	260	260
Trade and other receivables	302	–	–	302
Taxation	–	–	35	35
Cash and cash equivalents	21 096	–	–	21 096
Total assets	62 058	–	11 344	73 402
Non-current liabilities	–	(4 658)	–	(4 658)
Financial liability	–	(4 658)	–	(4 658)
Total liabilities	–	(4 658)	–	(4 658)
COMPANY – 2006				
Non-current assets	6 275	–	5 989	12 264
Property, plant and equipment	–	–	160	160
Investment in subsidiaries	–	–	4 123	4 123
Investment in associate company	–	–	1 680	1 680
Loans and receivables	6 275	–	–	6 275
Deferred taxation	–	–	26	26
Current assets	43 869	–	341	44 210
Inventories	–	–	268	268
Trade and other receivables	27 513	–	–	27 513
Taxation	–	–	73	73
Cash and cash equivalents	16 356	–	–	16 356
Total assets	50 144	–	6 330	56 474
Non-current liabilities	–	(2 748)	–	(2 748)
Financial liability	–	(2 748)	–	(2 748)
Total liabilities	–	(2 748)	–	(2 748)

For the year ended 31 December 2007

36. SENSITIVITY ANALYSIS

Interest rate risk

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

Interest rate sensitivity analysis

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

			Increase in interest rate 2%		Decrease in interest rate 2%	
	Carrying amount	Amount exposed to risk	Profit	Other movements in equity	Profit	Other movements in equity
2008 Forecast						
Financial assets						
Cash and cash equivalents	23 171	23 171	260	–	(258)	–
Impact of financial assets on profit before tax			260	–	(258)	–
Corporate tax charge			(73)	–	72	–
Impact of financial assets on profit after tax			187	–	(186)	–
Financial liabilities						
Bank borrowings	30 762	30 762	(349)	–	347	–
Instalment sale agreements	1 252	1 252	(20)	–	20	–
Impact of financial liabilities on profit before tax			(369)	–	367	–
Corporate tax charge			103	–	(103)	–
Impact of financial liabilities on profit after tax			(266)	–	264	–
Total (decrease)/increase after tax			(79)	–	78	–
2007 Forecast						
Financial assets						
Cash and cash equivalents	18 166	18 166	202	–	(201)	–
Impact of financial assets on profit before tax			202	–	(201)	–
Corporate tax charge			(59)	–	58	–
Impact of financial assets on profit after tax			143	–	(143)	–
Financial liabilities						
Bank borrowings	16 268	16 268	(183)	–	182	–
Instalment sale agreements	649	649	(9)	–	9	–
Impact of financial liabilities on profit before tax			(192)	–	191	–
Corporate tax charge			56	–	(56)	–
Impact of financial liabilities on profit after tax			(136)	–	135	–
Total increase/(decrease) after tax			7	–	(8)	–

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Contractual undiscounted cash flows from: *	1 month (includes amounts payable on demand)	2 to 3 months	4 to 6 months	7 to 12 months	More than a year	Carrying amount
37. FINANCIAL ASSETS – MATURITY ANALYSIS						
GROUP – 2007						
Available-for-sale financial assets	–	–	–	–	–	–
Loans receivable	–	–	–	–	–	–
Trade and other receivables	53 729	17 270	4 605	1 151	–	78 740
Cash and cash equivalents	–	–	–	–	–	23 171
	53 729	17 270	4 605	1 151	–	101 911
GROUP – 2006						
Available-for-sale financial assets	–	–	–	–	–	–
Loans receivable	–	–	–	–	–	–
Trade and other receivables	33 776	10 857	2 895	724	–	50 506
Cash and cash equivalents	–	–	–	–	–	18 166
	33 776	10 857	2 895	724	–	68 672

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

Contractual undiscounted cash flows from: *	1 month (includes amounts payable on demand)	2 to 3 months	4 to 6 months	7 to 12 months	More than a year	Carrying amount
38. FINANCIAL LIABILITIES – MATURITY ANALYSIS						
GROUP – 2007						
Finance lease obligations	47	98	134	293	680	1 252
Loans and other payables	–	–	–	–	–	–
Trade and other payables	22 330	4 900	–	5 007	4 667	36 904
Purchase consideration owing in respect of business combination	–	–	818	–	–	818
Bank borrowings	30 762	–	–	–	–	30 762
	53 139	4 998	952	5 300	5 347	69 736
GROUP – 2006						
Finance lease obligations	32	65	100	179	273	649
Loans and other payables	–	–	–	–	–	–
Trade and other payables	16 496	5 198	–	1 519	3 702	26 915
Bank borrowings *	16 268	–	–	–	–	16 268
	32 796	5 263	100	1 698	3 975	43 832

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

Details of subsidiary companies and associate company

For the year ended 31 December 2007

	Country of incorporation	Ordinary share capital R	Portion held directly or indirectly by holding Company %	Book value of shares at cost R	Class A preference share capital	Portion held directly or indirectly by holding Company %	Class B preference share capital	Portion held directly or indirectly by holding Company %	Amount owing by/(to) subsidiaries 2007 R'000	2006 R'000
Primeserv Corporate Solutions (Proprietary) Limited	South Africa	100	74,2	74	37	100,0	618	100,0	13 833	13 940
Primeserv Training (Proprietary) Limited	South Africa	100	100,0	100					36 491	38 171
Primeserv ABC Recruitment (Proprietary) Limited	South Africa	100	74,2	74	370	100,0	448	100,0	12 144	7 969
Primeserv Employee Solutions (Proprietary) Limited	South Africa	100	74,2	74	392	100,0	276	100,0	(37 784)	(31 472)
African Recruitment Manpower (Proprietary) Limited	South Africa	160	100,0	160					(841)	(841)
Primeserv Productivity Services (Proprietary) Limited	South Africa	100	100,0	100					2 127	2 182
Primeserv Recruitment (Proprietary) Limited	South Africa	100	100,0	100					(3 147)	(3 147)
Ibiza Trading 7 (Proprietary) Limited	South Africa	100	100,0	–					(255)	(255)
Thuso Outsourcing (Proprietary) Limited	South Africa	100	70,0	70					(331)	(331)
Empvest Outsourcing (Proprietary) Limited*	South Africa	1 000	48,2	482					–	649
Privest International Limited	Jersey	30	100,0	30					564	564
Primeserv Outsourcing (Proprietary) Limited	South Africa	100	100,0	100					–	1
Bathusi Recruitment (Proprietary) Limited*	South Africa	100	49,0	49					–	–
Bathusi Staffing Services (Proprietary) Limited**	South Africa	100	45,0	45					–	–
Primeserv Staff Dynamix (Proprietary) Limited	South Africa	100	74,2	74					173	–
Primeserv Technical Training (Proprietary) Limited	South Africa	100	100,0	100					–	–
				1 632					22 974	27 430

NOTES

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

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

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

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

Primeserv Technical Training (Proprietary) Limited, Bathusi Recruitment (Proprietary) Limited and Primeserv Outsourcing (Proprietary) Limited are dormant.

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

*** This company became an associate with effect from 29 January 2005 and was therefore deconsolidated from the Group's results and equity accounted as from that date.*

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

Analysis of shareholding

As at 31 December 2007

	Number of shareholders	Number of shares held	% shareholding
PORTFOLIO SIZE			
1 – 50 000 shares	483	4 752 833	3,6
50 001 – 500 000 shares	105	17 670 922	13,4
500 001 – 5 000 000 shares	27	54 315 217	41,1
over 5 000 000 shares	4	55 323 771	41,9
	619	132 062 743	100,0
CATEGORY			
Directors (beneficial, non-beneficial, direct and indirect) and management *	11	45 122 688	34,2
Nominee companies and schemes	7	10 693 907	8,1
Individual and other corporate bodies	601	76 246 148	57,7
	619	132 062 743	100,0
INTERESTS OF 5% OR GREATER			
M Abel		18 014 741	13,6
Trade-Off 3029 cc		16 158 745	12,2
Primeserv Productivity Services (Proprietary) Limited (treasury shares)		10 645 489	8,1
Agulhas Nominees (Proprietary) Limited		10 504 796	8,0
		55 323 771	41,9
SHAREHOLDER SPREAD			
Total non-public shareholders *	11	45 122 688	34,2
Public shareholders	608	86 940 055	65,8
	619	132 062 743	100,0

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

Market statistics

For the year ended 31 December 2007

	2007	2006
JSE LIMITED PERFORMANCE		
Year-end closing market price of ordinary shares (cents)	75	37
High closing market price of ordinary shares (cents)	85	45
Low closing market price of ordinary shares (cents)	37	21
Volume of shares traded ('million)	21	54
Value of shares traded (R'000)	14 805	16 482
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)	99 047	48 863
Market capitalisation at year-end excluding treasury and share trust shares (R'000)	86 167	42 334

Notice of annual general meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

Notice is hereby given that the ninth annual general meeting of the shareholders of Primeserv Group Limited will be held at 207 Main Avenue, Ferndale, Randburg, at 09:00 on Tuesday, 12 August 2008, for the following:

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

AS ORDINARY RESOLUTIONS

1. To receive and consider the Company financial statements and Group financial statements for the year ended 31 December 2007.
2. To confirm the appointment of the Company's auditors, PKF (Jhb) Inc.
3. To re-elect directors who retire by rotation in accordance with the Company's Articles of Association.

   The following directors retire by rotation in accordance with the Company's Articles of Association:
   - S Klein
   - DL Rose
   - DC Seaton

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

   Saul Klein is an Independent Non-Executive Director of Primeserv Group Limited and was appointed to the Board in March 1998. Saul is the Lansdowne Professor of International Business at the University of Victoria (Canada). Saul held the South African Breweries Limited Chair of International Business, and was Professor of Marketing at the Wits Business School. He has also held academic appointments at leading universities in Canada, the USA, Singapore and Australia.

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

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

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

   Desmond C Seaton is an Independent Non-Executive Director of Primeserv Group Limited and was appointed in August 2003, with the qualifications B Com, LLB, Dip Tax. Desmond is a founder member of Thoth Consulting cc, a tax and legal consultancy. He specialises in corporate, legal and tax advice. He is also a Non-Executive Director of ISA Group Limited and Set Point Technology Holdings Limited.

4. To authorise the Remuneration and Nomination Committee to confirm the remuneration of the directors for the year ended 31 December 2007, and to determine the remuneration of the directors for the year ending 31 December 2008.
5. To authorise the directors to determine the remuneration of the auditors for the year ended 31 December 2007.
6. That the authorised but unissued share capital of the Company be placed at the disposal and under the control of the directors of the Company and the directors are hereby authorised and empowered to issue shares in regard to:

   6.1 Acquisition issues;

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

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

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

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

   - the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
   - any such issue will be made to public shareholders only, as defined by the JSE, and not to related parties in terms of 5.52 of the Listings Requirements of the JSE;
   - the number of shares issued for cash shall not in the aggregate exceed in any financial year, 15% (fifteen percent) of the Company's issued ordinary share capital. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such issue, less any ordinary shares issued, or to be issued in future arising from option/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten; or an acquisition which has had final terms announced;
   - this authority be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of this resolution, whichever period is shorter;
   - a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within any one financial year, 5% (five percent) of the number of ordinary shares in issue prior to such issue; and

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

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

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

AS SPECIAL RESOLUTION

9. SPECIAL RESOLUTION NUMBER 1

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

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

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

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

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

– the Company and the Group are in a position to repay their debt in the ordinary course of business for the following year;

– the consolidated assets of the Company, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the consolidated liabilities of the Company for the following year;

– the ordinary capital and reserves of the Company and the Group are adequate for the next twelve months;

– the available working capital is adequate to continue the operations of the Company and the Group in the following year;

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

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

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

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

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

Reason for and effect of Special Resolution Number 1

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

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.

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

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

– Directors and management (page 8)
– Major shareholders of Primeserv (page 60)
– Directors' interests in securities (page 29)
– Share capital of Primeserv (page 45)

Material change

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

Directors' responsibility statement

The directors, whose names are given on page 8 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted

Notice of annual general meeting

which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all such information.

Litigation statement

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

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 at 207 Main Avenue, Ferndale, Randburg, at 09:00 on Tuesday, 12 August 2008 and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions therein. If you have dematerialised your shares with a Central Securities Depository Participant ("CSDP") or broker (other than "own name" dematerialised shareholders), you must arrange with them to provide you with the necessary letter of representation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker in the manner and cut-off time stipulated therein.

A proxy form is enclosed for use at this ninth annual general meeting. Proxy forms should be forwarded to reach the share transfer secretaries not later than 09:00 on Friday, 8 August 2008.

By order of the Board

RAPHAEL SACK
Company Secretary

Johannesburg
18 June 2008

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

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

Shareholders' diary

FINANCIAL YEAR-END	31 December 2007
REPORTS ON PROFIT STATEMENTS AND MEETINGS	
Audited results published	28 March 2008
Annual report published	June 2008
Annual general meeting	12 August 2008
NEXT FINANCIAL YEAR-END	31 December 2008
REPORTS ON PROFIT STATEMENTS AND MEETINGS *	
Half-year interim report to be published	September 2008
Audited results to be published	March 2009
Annual report to be published	March 2009
Annual general meeting	May 2009

* *These dates are subject to change*

Acknowledgement:

The Manpower 2008 Talent Shortage Survey (reference page 9)

Administration

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

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

PO Box 3008, Saxonwold 2132

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

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

COMPANY SECRETARY
R Sack

LEGAL ADVISORS
Cliffe Dekker Inc.

DM Kisch Inc.

Edward Nathan Sonnenbergs

Peter W Wentzel Attorney

CORPORATE ADVISORS
Thoth Consulting cc

CORPORATE COMMUNICATIONS
Bairds Renaissance (Proprietary) Limited

Graphiculture (Proprietary) Limited

SPONSOR
Deloitte & Touche Sponsor Services (Proprietary) Limited
Deloitte & Touche Place
The Woodlands
Cnr Woodlands and Kelvin Drives
Woodmead 2196

Private Bag X6, Gallo Manor 2052

BANKERS
FirstRand Bank Limited

Investec Bank Limited

MERCHANT BANK
Investec Bank Limited

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

Postnet Suite 200
Private Bag X30500
Houghton 2041

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

PO Box 61051, Marshalltown 2107

Notes

Form of proxy

PRIMESERV GROUP LIMITED

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

For the use by certificated or "own name" dematerialised shareholders of Primeserv for the ninth annual general meeting of Primeserv Group Limited to be held at 207 Main Avenue, Ferndale, Randburg, at 09:00 on Tuesday, 12 August 2008 ("the annual general meeting").

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

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

of (address) ______________________________

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

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

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Resolution number 1 – Adoption of financial statements			
Resolution number 2 – To confirm the appointment of the Company's auditors			
Resolution number 3 – To confirm the reappointment of:			
3.1 S Klein			
3.2 DL Rose			
3.3 DC Seaton			
Resolution number 4 – To authorise the Remuneration and Nomination Committee to determine the remuneration of the directors			
Resolution number 5 – To authorise the directors to determine the remuneration of the auditors			
Resolution number 6 – Directors' control over authorised but unissued share capital			
Resolution number 7 – General authority on issue of shares			
Resolution number 8 – Authority for directors or Company Secretary to implement the resolutions			
Special resolution number 1 – General authority to repurchase shares			

Signed at ______________________ on ______________________ 2008

Signature ______________________________

Assisted by me (where applicable)

Notes to the proxy form

1. A shareholder may insert the names of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairman of the meeting", but the shareholder must initial any such deletion. The person whose name appears first on the proxy and which has not been deleted shall be entitled to act as proxy to the exclusion of those names following.
2. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes.
3. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries or by the chairman of the annual general meeting before the commencement of the annual general meeting.
4. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the general meeting, be proposed, the proxy shall be entitled to vote as he/she thinks fit.
5. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded with the Company's transfer secretary or waived by the chairman of the annual general meeting.
6. His/her parent or guardian as applicable must assist a minor or any other person under legal incapacity, unless the relevant documents establishing capacity are produced or have been registered with the transfer secretaries.
7. Where there are joint holders of ordinary shares:
   - any one holder may sign the form of proxy;
   - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register) who tender a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
8. Proxies must be lodged at or posted to the Company or the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107), to be received not later than 09:00 on Friday, 8 August 2008.
9. Any alteration or correction made to this form of proxy other than the deletion of alternatives must be initialled by the signatory/ies.
10. The completion and lodging of this proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. The chairman of the meeting may reject or accept a proxy that is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
12. *If you have not dematerialised your shares and selected own name registration in the sub-register:*

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

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

Group operational trade names and trademarks

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

360° hr services

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