PRIMESERV
GROUP LIMITED

Primeserv Group Limited Annual Report 2006

www.primeserv.co.za

Primeserv Group Limited
Annual Report 2006

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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

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

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

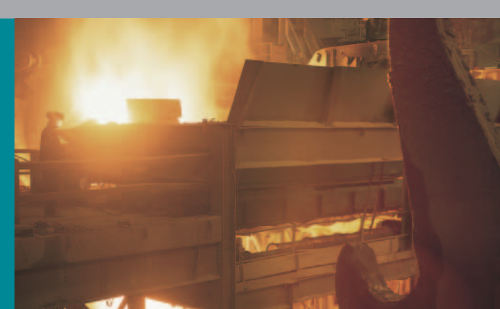
MERCHANT BANK
Investec Bank Limited

AUDITORS
PKF (Jhb) Inc.
15 Girton Road, Parktown
Johannesburg 2193

Postnet Suite 200
Private Bag X30500
Houghton 2041

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

PO Box 61051, Marshalltown 2107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Primeserv Group Limited Annual Report 2006

Profile

Primeserv Group Limited* is listed in the Industrial Goods and Services, Business Training and Employment Agencies sector on the JSE Limited.

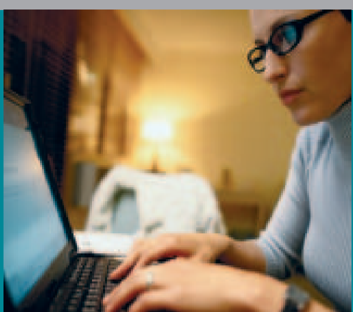
The Group's products, services and solutions are provided through its HR Solutions, Colleges and Outsourcing divisions. These incorporate human resources (HR) solutions, consulting, skills training centres, corporate and vocational training programmes, as well as resourcing and flexible staffing services,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

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

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

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

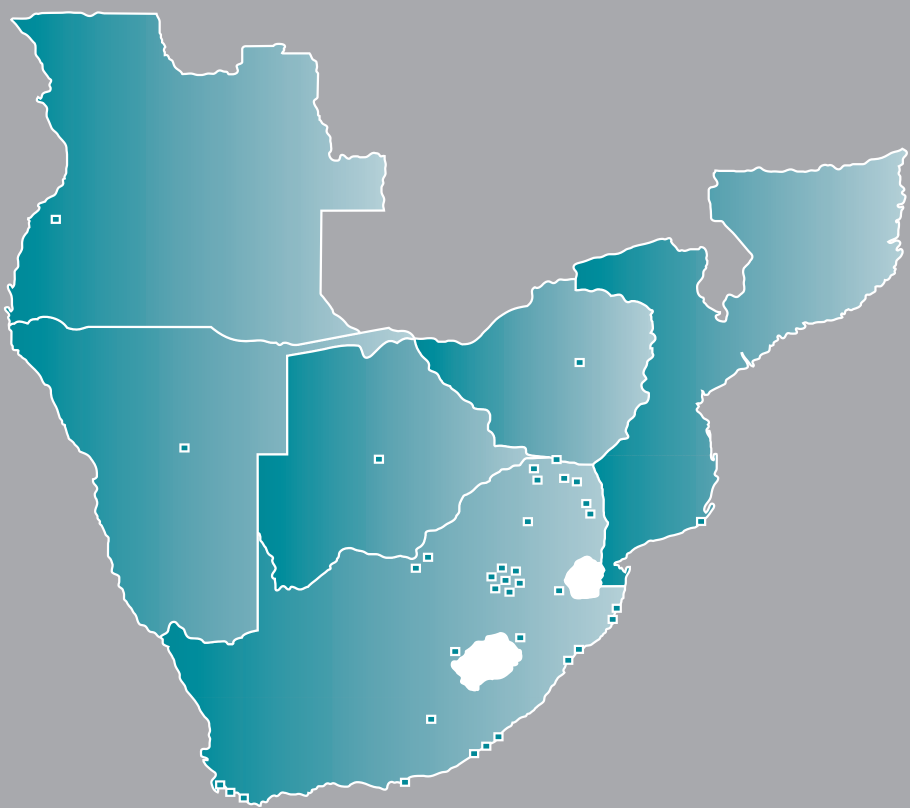
* Primeserv or the Group



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

Group structure

Regional representation



Strategy

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

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

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

The Group is committed to:

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

STRATEGIC REVIEW

Execution of the Primeserv strategy continued to be effected through addressing the key elements mentioned above. Particular emphasis was placed on improved understanding of customers' needs and capability to meet them; further investment in leading HR products and services, and continued upgrading of operating facilities, particularly at the Group's colleges.

Resource allocation and cost containment were effective during the course of the review period and the Group's performance measurement process was utilised in driving the organisation's performance culture.

The balance sheet continued to strengthen. BEE transformation remained a focus area. Investment in intellectual capital, product development and improved operating facilities increased, and the management team was stable.

Emphasis on improved understanding of customers' needs and delivery to meet them

The Primeserv Int**HR**grate™ Model

BACKGROUND AND CONTEXT

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

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

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

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

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

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

The modular nature of the Primeserv Int**HR**grate™ Model allows customers to evaluate their HR/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
- an outsourced HR service

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

HR ALIGNMENT WITH BUSINESS STRATEGY AND STRUCTURE

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

The key questions are:

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

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

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

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

HR PROCESSES

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

- **Competency Assessment**
  People skills and competencies must be assessed continuously so that the business is fully aware of the value/competence of its human capital at all times. Accurate assessment is essential to ensure people with the right competencies and skills are recruited and placed in the right positions.

  Assessment is essential to enable the identification and development of people with potential, to meet their career aspirations and to align their development with future business needs through targeted training programmes.

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

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

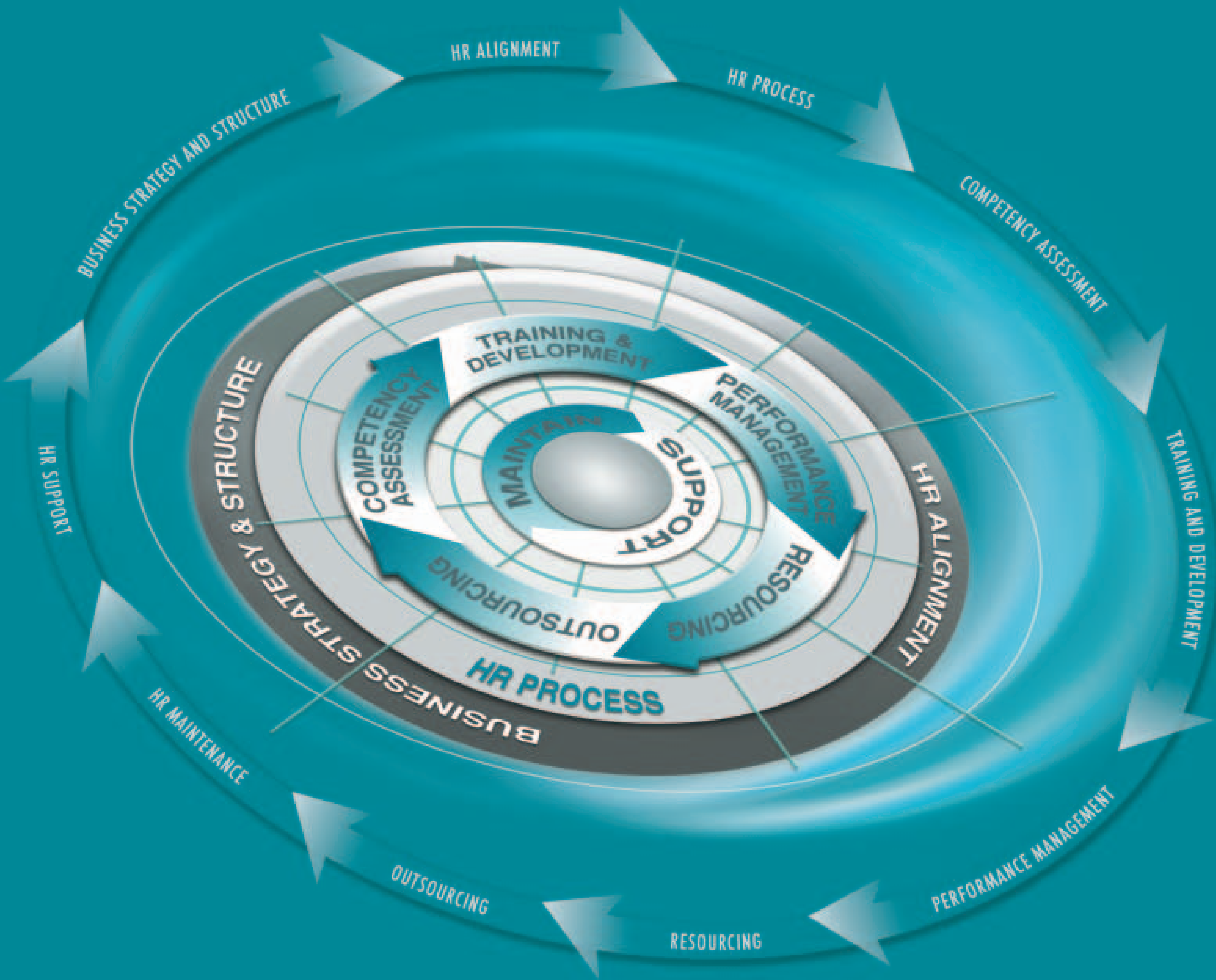
- **Resourcing**
  Profiled, assessed and competent permanent staffing are core to meeting an organisation's operational needs.

- **Outsourcing**
  The right skills in the right place at the right time in the right numbers are key to productivity and optimal operational performance. Flexible staffing solutions provide the organisation with a cost-effective, sustained staffing option that enables the organisation to match staffing needs to operational requirements.

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

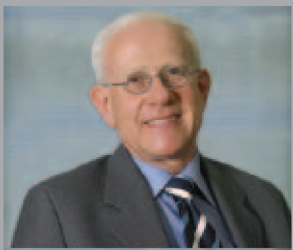
- **HR Support**
  The emotional well-being of individuals has a direct influence on performance. Career and succession planning, HIV/Aids and stress management/burnout strategies, individual coaching and counselling and related interventions, contribute to their emotional well-being.

The Primeserv Int**HR**grate™ Model



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

Directorate



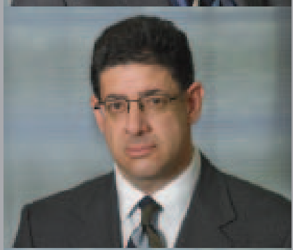
1 J Michael Judin*

Non-Executive Chairman (60)

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.



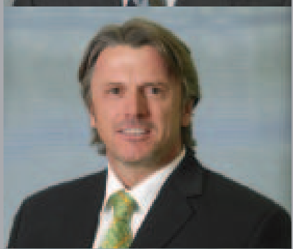
2 Merrick Abel

Chief Executive Officer (48)

BA (Hons), MBA

Appointed: August 1997

Merrick has served as CEO since founding the Group in 1997 and was also Executive Chairman from 2000 to 2003. He has over 20 years' local and international commercial experience, particularly in the industrial and services industries.



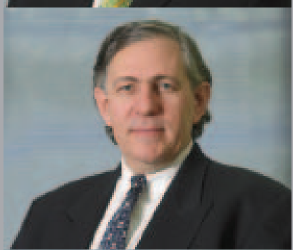
3 Allan T McMillan#

Executive Director (44)

BA

Appointed: September 2004

Allan has been a director of various subsidiaries of the 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 14 years. Prior to this he was involved in financial services.



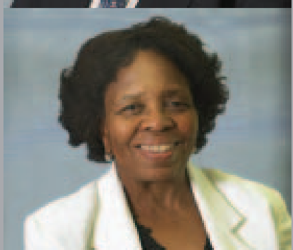
4 Saul Klein†*

Non-Executive Director (48)

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 (61)

BA, MBA, AEP

Appointed: September 2004

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

6 David L Rose*

Non-Executive Director (65)

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

Appointed: February 2005

David is an Executive Director of Terra Nova Financial Services (Proprietary) Limited. He spent 41 years with Fisher Hoffman, a major national firm of Chartered Accountants. He became a partner of the firm in 1970 and was Managing Partner of the Johannesburg office as well as Chairman of the National Practice from 1991 to 1998.

7 Desmond C Seaton

Non-Executive Director (47)

BCom, LLB, Dip Tax

Appointed: August 2003

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

† American # British * Independent

Non-Executive Chairman's statement

Consistent progress and gaining operational strength while maintaining the positive momentum evidenced in 2005 were the key characteristics of the Group for the eighteen months to December 2006. Consequently, Primeserv is in an improved position to deliver sustainable long-term value to all its shareholders and stakeholders.

Indicative of the Group's strengthened balance sheet are the dividends paid and declared to shareholders. The sustained strong and effective leadership of the Group CEO and a committed management team and staff ensured the enhancement of the Group's capability and profit generation. The Group further built on its already solid Broad-Based Black Economic Empowerment (BEE) credentials, and seeking out further transformation from both within and outside the organisation is a priority.

Consistency in business is important and Primeserv is focused on meeting and adapting to the evolving HR and human capital needs of South Africa. The Group is constantly refining its business model to suit the South Africa of today and of the future, particularly as evidenced by the Group's fully supportive and inclusive approach to BEE. The Group's approach to BEE is not only guided by its core business of human capital management, which encompasses the vital imperative of skills development and the effective utilisation of people's skills, but also by its recognition of the need for transformation as key to the country and its future success.

The skills shortage facing South Africa is largely apparent in the segments of the economy in which Primeserv is most active. The unavailability of necessary skills poses a challenge to government's planned R400 billion infrastructure spend and addressing these deficiencies through innovative approaches to skills development and staff outsourcing is at the forefront of the Group's operational efforts. Primeserv has excellent HR products, services and solutions, it has a solid balance sheet, positive cash flows, and a stable and capable management team. Given these ingredients and an ongoing strengthening of the economy and, subject to finding suitable solutions to existing skills gaps, the Group is well positioned to benefit and sustain itself into the future.

The focus for the Group in the year ahead will be to proceed with unlocking the potential of Primeserv's Int**HR**grate™ Model. Through the implementation of this model Primeserv can and will deliver economically measurable and socially important value to the country and all the Group's stakeholders, Primeserv's holistic approach to human resources development and utilisation offers a compelling solution.

Both I and the Primeserv Board are committed to assisting the Group in achieving its goals and in seeing that it plays a meaningful role in the success of South Africa's people and their future and we look forward to an improved performance by the Group in the year ahead.

J MICHAEL JUDIN
Non-Executive Chairman

Johannesburg
28 May 2007

Primeserv's range of products, services and solutions are particularly relevant to the needs of South Africa

Chief Executive Officer's review

INTRODUCTION

During the eighteen months ended December 2006 it became increasingly evident that our strategy of developing and delivering integrated HR products, services and solutions was gathering momentum, reflecting an ongoing improved performance by the Group.

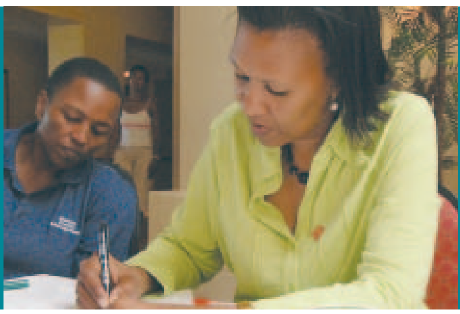
Since inception, Primeserv has focused on delivering HR products, services and solutions in a way that will most effectively drive customers' productivity and performance efficiencies. We have remained true to this business model while enabling it and the organisation to develop and adapt to changing market conditions. As a result, the Primeserv business model of today is more relevant than it ever was. Primeserv is focused on its strategy, understands its business better and, consequently, is more effective in bringing its customised, customer-centric offerings to the market.

As stated in the previous annual report, the past few years have seen the Group divest itself of weak and non-value-adding components, whilst retaining the key strategic and operating units with which Primeserv listed and which are key drivers of business for the Group. The entrepreneurial management style of the Group's core management team, which has been with Primeserv virtually since its founding, has spurred the development and entrenchment of Primeserv's primary business philosophy and value drivers. This business philosophy and model enables customers to outsource some or all of their HR requirements to Primeserv with confidence, because Primeserv is a leading services provider capable of unlocking its customers' own HR value proposition through their utilisation of the Group's 360˚ integrated HR services offering.

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

The Group's HR services and solutions have been developed and refined with particular emphasis on those that improve productivity and efficiency in the workplace of South African organisations.

Further work needs to be done in bringing the integrated HR Services model to its target market. This is a key operational task for the year ahead.



FINANCIAL REVIEW

The financial results as reported in this annual report are for the eighteen months ended 31 December 2006 and, consequently, certain comparatives with the audited results for the twelve months ended 30 June 2005 are not practical and are therefore not made in the commentary.

The Group recorded revenue of R518,1 million for the period under review. This excludes revenue of R69,7 million generated by Bathusi Staffing Services (Proprietary) Limited (Bathusi), the Group's BEE associate company.

The Group produced earnings before interest, tax, depreciation and amortisation (EBITDA) of R6,1 million and an operating profit of R4,3 million for the period. In addition, the Group earned a net R1,9 million in interest as well as recovering R0,5 million in proceeds from the disposal of an operation which had previously been impaired. The Group generated a net profit before tax of R6,8 million and a net profit attributable to shareholders of R5,6 million. Headline earnings for the period were R5,5 million resulting in headline earnings per share of 4,8 cents (2005: 0,26 cents per share). These results are indicative of a marked improvement by the Group's operations.

The Group's balance sheet strengthened. Albeit that trade receivables increased from R32,4 million at the end of June 2005 to R48,3 million at the end of December 2006 as a result of stronger sales in the Outsourcing division in the last six months of the reporting period, the Group remained in a net ungeared position at year-end. Debtors' days deteriorated due in the main to the change in year-end, with December being notoriously slower with regard to debtor collections than June. This was exacerbated by teething problems with the Group's new payroll and accounting system. The increase in bank borrowings at December, when compared to the June 2005 year-end, is primarily a consequence of the December year-end when substantial bonus and leave pay-outs are made to permanent and flexible contract staff, particularly in the Outsourcing division. As noted last year, the Group remains positively engaged with SARS in resolving a disputed claim.

A dividend of 1 cent per share was declared and paid during the period under review. Subsequent to the year-end, a further dividend of 0,5 cents per share was also declared, thereby bringing the dividends declared for the eighteen months ended 31 December 2006 to 1,5 cents per share. Net asset value per share has increased by 12 percent from 34 cents per share at the end of June 2005 to 38 cents per share at the end of December 2006.

STRATEGIC REVIEW

Considerable thought and effort have gone into the development and implementation of the Group's strategy so as to develop it into a market-driven, customer-centric organisation that will provide a solid pillar around which the organisation can grow. The launch of the Primeserv Int**HR**grate™ Model in 2004 is a key driver of the Group's primary operating component – Primeserv HR Services.

As described in more detail on pages 4 and 5, the Int**HR**grate™ Model was developed to differentiate and distinguish Primeserv HR Services as a specialised operation capable of providing 360˚ integrated or modular suites of benchmarked, world-class HR products, services and solutions. It enables Primeserv to unlock the entire HR process as a value driver in customers' businesses. It demonstrates Primeserv's understanding of the entire HR process from both a strategic and operational perspective. The Int**HR**grate™ Model is continually being updated through a regular process of internal re-evaluation and research and development to ensure that it stays relevant and applicable to ever-changing market needs.

It is clear that the model has found some acceptance and use by certain key customers, and this bodes well for its future application. The products, services and solutions inherent in the Int**HR**grate™ Model, be they modular or as a complete suite of offerings, are capable of competing strongly within their peer group market segment.

Using a modular approach to underpin the Primeserv Int**HR**grate™ Model has been a deliberate strategy. This has enabled the Group to build its expertise and match its capability across the model components, in line with South African business and human capital requirements.

An overwhelming world-wide trend is for organisations to spend more time and money on internal development and on core activities and to allow specialists to handle non-core areas of expertise such as HR and human capital management. In that scenario, Primeserv HR Services becomes more and more relevant. Many South African organisations are increasingly following this trend and growing numbers are now seeking to outsource the HR/human capital component of their organisation in part or entirely. As a result, Primeserv HR Services is strategically positioned at the forefront of outsourced HR services.

Chief Executive Officer's review

The Primeserv Int**HR**grate™ Model is becoming better known to and understood by the Group's customer base. Its economically measurable value proposition is seen as a unique offering by the Group in relation to competitive products and services. The challenge for Primeserv in the year ahead as in the prior period, therefore, is to accelerate penetration of the Primeserv Int**HR**grate™ Model into the market.

The programme, begun last year, to expand and build internal capacity and capability as part of the Group's key competitive strategic advantage, has been implemented.

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

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

OPERATIONAL REVIEW

A Group-wide consolidation of strategy and operational plans was the main focus during the review period.

This involved the further paring of non-value-adding components, however small, and the restructuring, where necessary, of that which was not working as well as it should, while simultaneously driving forward those areas that were performing – bearing in mind Primeserv's philosophy that room for improvement is an operational imperative.

Primeserv's competitive edge is that it has an integrated HR services model which, rather than just supplying customers with individual components of the HR process such as HR consulting, skills development and training, college-based learning or a range of flexible staffing solutions, utilises an orchestrated process that aligns, where applicable and when required, the customer's HR strategy with its organisational needs. In essence the Group develops and supplies more effective people capable of being more productive, and who can deliver improved performance and, hence, measurable economic outcomes for all concerned.

While our value proposition offers much, it is also a value proposition that demands operational excellence across all Primeserv divisions – a goal towards which we are always striving.

Primeserv HR Solutions

The HR Solutions division, comprising the HR Consulting and Corporate Training operation, the Technical Training unit and Resourcing, had a tough but substantially better eighteen months than was experienced in the prior period. As a result of the carry over of costs related to the prior year, the division's performance remained weak, but losses incurred were considerably reduced for this reporting period. Significantly, no meaningful loss is expected from this division in the year ahead.

The HR Solutions division, although still not profitable, has been turned into a lower-cost operation without losing its specialised capability. The re-working of the division as a whole into a primarily outsourced operation, with internal capability, allows the Group to continue providing a specific range of HR services and solutions at an extensively reduced risk than was previously the case.

The corrective action taken in the prior period continued during the period under review. Cost controls, limited fixed costs and the implementation of an outsourced business model enabled this division to grow its customer base whilst providing strategic support to the Group's other divisions.

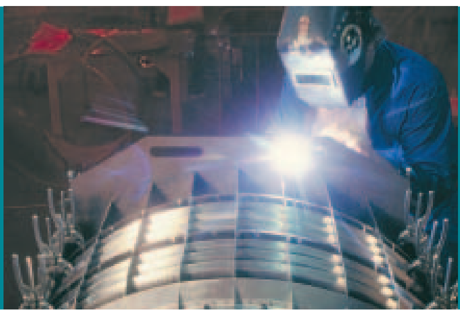
HR Consulting and Corporate Training

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

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

A redeveloped business model became the basis for the continuation of the consulting component of the division. The restructuring implemented last year to offset the problems of the previous year was finalised during the review period.

The basis for the reorganisation of the unit came from our own outsourcing model. Primeserv, in effect, became its own customer by applying the same business approach to this unit. We have created a model for the consulting business which allows it to own key intellectual capital and products at the core whilst outsourcing what were previously burdensome fixed costs. Outside of that core, is a team of specialists who are on the unit's books as consultants, trainers and agents and who are outsourced to customers. These consultants and agents have a unique relationship with the operation in that while they are not employed by the unit, they derive most of their work from it. They utilise proprietary products which belong to Primeserv and are marketed and sold under the Primeserv brand.



This reorganisation has allowed Primeserv to significantly reduce the operating unit's fixed costs while retaining its intellectual capital and consequently there is no deterioration or even change in service delivery to customers.

Technical Training

The Technical Training operation's customised and generic programmes meet best practice standards and have been designed specifically to meet the skills requirements of its customers. These are accredited, where required, by the relevant accreditation authority and aligned to the National Qualifications Framework, applicable Education and Training Quality Assurance bodies, and to Sector Education and Training Authorities (SETAs) and their learnership programmes.

During the review period this operation, having been rightsized in the prior period, focused on strengthening its capability in a difficult trading environment. Notwithstanding the severe technical skills shortage facing industry and business, a reluctance by many organisations to commit to training spend negatively impacted sales in this unit. Despite the much publicised dearth of technical skills facing the country, training and skills development remains unfulfilled in many areas of the economy.

Several joint ventures were put in place with BEE training companies which, for example, have facilities in key locations but lack access to top quality personnel, products and services. By forming these alliances, Primeserv gains access to facilities and equipment without investment in expensive overheads. This provides the unit with greater delivery capability.

Resourcing

This is a small, niche component servicing the Primeserv Int**HR**grate™ Model. It provides a value-added service to the Group's customer base, providing specialised permanent recruitment and executive search services with particular emphasis on historically disadvantaged candidates in the financial, banking, office support and technical staffing arena.

The unit once again delivered a profitable performance. It was and still is, however, hampered by the shortage of suitable candidates available to fill open positions.

Primeserv Outsourcing

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

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

A value proposition that delivers economically measurable outcomes

Chief Executive Officer's review

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

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

The review period, can be characterised as "much of the same" in the Outsourcing division, with the division maintaining rather than gaining the required momentum.

The Outsourcing division, with revenue of R465,9 million for the period (excluding R68 million from its BEE associate operation Bathusi), underperformed for the first twelve months of the review period. This was addressed and an improved operating performance was achieved in the final six months to the end of December 2006.

The division's logistics, warehousing and industrial flexible staffing unit performed well and continued to expand its national coverage. The white collar professional staffing unit was buoyant, driven by growth in infrastructural projects, but is still hampered by the national skills shortage of engineers and allied industry professionals. The ongoing lack of skilled artisans also hampered supply in the blue collar sector of the division. The division is seeking various ways to meet the growing skills demand in the environment where those particular categories of skills, that relate to the division's areas of specialisation, continue to be in short supply.

Initiatives by the division to address the unavailability of skills in the economy include partnering with the Group's Technical Training unit, and in some instances, customers, in developing customised training programmes and learnerships that focus on the needs of the construction, engineering and logistics industries. This is also being done with the Colleges division in relation to specific skills such as data capturers and call centre staff.

The division's mega-project wage bureau experienced delays to start dates for certain key projects, such as Coega and Gautrain, resulting in costs being incurred without the matching budgeted revenues being achieved. Nevertheless, the division is committed to these projects and, based on projections supplied by the projects' co-ordinators, a positive contribution from this unit is expected in 2008.

The Group's BEE associate, Bathusi, which specialises in the provision of outsourced staffing to the petrochemical, engineering and construction, and mining and allied industries, delivered a patchy performance due in the main to delays in planned shutdowns and restructuring at certain key customers. However, revenue improved in the last six months of the review period. The contribution to Group results from the Bathusi operation is largely reflected in cost recoveries and the interest received line. Group interest received includes an amount of approximately R1,4 million in interest, which is regarded as an operational recovery rather than interest earned on surplus funds.

A continual re-evaluation of the division's practices and processes indicated that too much focus was placed on developing capacity and capability, and on service excellence, and not enough impact was made in driving sales processes and leveraging marketing opportunities. Management has been directed to remedy this in the year ahead.

The division maintained its customer base in an increasingly competitive market where the shortage of skills, particularly in the technical skills environment, provided many challenges. The division further advanced its BEE strategy and received a strong level four contributor empowerment rating during the review period. Ongoing BEE transformation activities remain key strategic imperatives for the year ahead.

The division's quality of service and product offering are at the very top end of the value proposition. Investment in the evolution of products, services and solutions continues, and developing staff with talent and capability remains a priority. Investment in new systems both in office automation and IT infrastructure was completed and the division should feel the benefit of greater efficiencies and improved administrative capability that should deliver to existing and future customers a better service than the one already experienced.

Primeserv Colleges

Notwithstanding the completion of certain corporate training contracts which were not replaced, the Colleges division delivered a solid performance for the eighteen months under review. A net profit of R4,3 million on revenue of R28,6 million was recorded. This division is more suited to being analysed on a calendar year basis, with a large portion of its net profit before tax being achieved in the first half of the year. Strong cash flows were a feature of the division's results for the review period. College learner numbers increased on a January to December year-on-year basis.

The Colleges division, which at year-end consisted of 32 colleges across the country (up from 28 the previous year), trains individuals in a range of skills which are in short supply in the South African economy.

Primeserv Colleges, primarily through its Stanford Business and Computer Colleges and Working World Colleges brands, provides a technology-driven, sophisticated environment from which to deliver skills to largely historically disadvantaged learners/students who are seeking to access the job market.

Continued investment is planned for the ongoing upliftment of the Stanford Business and Computer Colleges brand. An updated image and modernised facilities and equipment appealing to its target market are planned for the short-term. New college openings will continue and the division's value-for-money offering is constantly being assessed in light of market requirements. The division has also reinvigorated its distance learning products and this component of the division is expected to add to learner numbers in 2008.

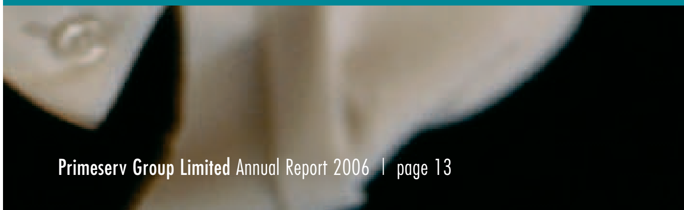
The Outsourcing and Colleges divisions are seeking ways of aligning their service offerings as part of an integrated solution to the flexible labour market requirements. Aspects being addressed include the increased listing of college graduates on the Outsourcing operation's database for placement. This should not only provide the Outsourcing division with access to a new pool of skilled staff, but also promote study within the division's colleges as a means to becoming more readily placable for employment. Furthermore, the national skills shortage is being assessed in relation to skills that can be developed through the division's existing college network. Where these skills overlap with needs particular to the Outsourcing division's requirements, the Colleges division will seek to develop and introduce, where viable, courses and training programmes accordingly. The growth in the call centre environment has initiated a joint venture between the Colleges and Outsourcing divisions to provide call centre training through the colleges' national training network which in turn will provide the Outsourcing division with call centre staff for placement into the market.

The investment in upgraded facilities, equipment and new course programmes should become evident in results from 2008.

POST-BALANCE SHEET EVENT

As previously announced, the Group acquired the staff outsourcing business, Staff Dynamix, with effect from 1 March 2007 subject to the fulfilment of conditions precedent. Consequently, the impact of the Staff Dynamix business on the Group's results for the current year will be for a ten-month period only. Staff Dynamix is a national supplier of flexible staffing services, specialising in the supply of outsourced staff to the logistics, construction, retail and live entertainment and events sectors. The acquisition should add to the critical mass of the Group's Outsourcing division and prove complementary in terms of its geographical and sectoral spread as well as adding to the division's supply-side staffing resources.

Customised initiatives that seek to address the national skills shortage



Chief Executive Officer's review

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

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

A third BEE project is Empvest Outsourcing, the Group's joint venture with the South Cape Empowerment Network (Proprietary) Limited which holds 51,8% and Primeserv the remaining 48,2%.

Empvest has been particularly successful in the Eastern Cape and is well positioned as the key HR staff outsourcing and wage bureau supplier to Coega and other major players in the region.

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

The Group has set itself targets for BEE initiatives, specifically in relation to skills development, employment equity, preferential procurement, enterprise development and corporate social investment.

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

CORPORATE SOCIAL INVESTMENT

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

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

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

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

CORPORATE CITIZENSHIP

Primeserv is committed to sound corporate governance and intends, where applicable, to meet the requirements as recommended in the King II report as well as those of the JSE. Full details of the Group's corporate governance philosophy and activities can be found on pages 16 to 20 of this report.

PROSPECTS

The Group's primary "Primeserv" brand has gathered momentum in driving its differentiated awareness. The Group has products, services and solutions that are continually improved to position them more effectively in the market. This entails ongoing investment in and development of the Group's management team, staff and organisational infrastructure so as to invigorate the sales process and better the sales infrastructure, and enhancing organisational capability and levels of service excellence to satisfy customer needs and accelerate growth.

We continue to work at making Primeserv an employer of choice in order to attract and retain the best quality staff. This is being given credence by enhancing the work environment, internal training, ensuring opportunities for personal growth and development, and in seeking ways to balance work-life demands.

The Group remains focused on maximising organic growth whilst seeking to expand its product and service offerings. Further acquisitive opportunities that are in line with the Group's strategy will be sought and evaluated. Where appropriate, further BEE initiatives will be considered where this provides the Group with increased market opportunities.

Subject to continuation of prevailing market conditions, and the ability to overcome the dearth of skills affecting the labour market in those segments in which the Group operates, the Group anticipates improved operating results for the year ahead.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank all our stakeholders – customers, suppliers, business partners, shareholders, the Primeserv Board of Directors, and particularly our management and staff – for their ongoing support of our Group.

As always we rely on our people to drive the Group's success and it is their talent, energy and dedication that make the difference.

Through their commitment and the Group's solid financial and operating platform the basis for sustainable growth has been set.

MERRICK ABEL
Chief Executive Officer

Johannesburg
28 May 2007

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

Corporate citizenship

CORPORATE GOVERNANCE

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

CODE OF ETHICS AND CORPORATE CONDUCT

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

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

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

THE BOARD OF DIRECTORS

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

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

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

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

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

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

BOARD COMMITTEES

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

The principal Board committees are as follows:

The Audit, Governance and Risk Committee

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

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

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

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

The Remuneration and Nomination Committee

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

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

The Group's longer term incentives 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 the individual directors' remuneration are set out on pages 40 to 42 of the annual report.

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

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

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

Corporate citizenship

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

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

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

ACCOUNTABILITY AND AUDIT

Going concern

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

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

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

- The Group's combined operations are expected to be profitable in the financial year to December 2007;
- Working capital remains well controlled and receivables are of sound quality;
- The Group has sufficient borrowing capacity in terms of its existing facilities;
- The Group has no need to dispose of any assets or undertake a capital restructuring;
- Key executive management is in place and performance management processes are being applied;
- The Group is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business; and
- The Group is monitoring and responding proactively to the spirit and terms of changes in legislation and BEE initiatives.

Auditing and accounting

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

Internal control

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

Insurance

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

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

RELATIONS WITH SHAREHOLDERS

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

SAFETY, HEALTH AND THE ENVIRONMENT

The Board recognises its responsibility for dealing with Safety, Health and the Environment (SHE) issues and is constantly reviewing and implementing, where applicable, systems of internal control and other policies and procedures to manage SHE risks.

Safety

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

Health

The Group pays 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 to the environment from occurring, continuing or recurring.

INSIDER TRADING

No Group director or employee who has inside information in respect of the Group may deal directly or indirectly in Primeserv Group Limited shares 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 which may be considered price-sensitive.

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.

Corporate citizenship

Employment equity

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

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

Skills development

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

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

Broad-Based Black Economic Empowerment

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

Primeserv has a strategic alliance with Tsabatsaba, a BEE shareholder which replaced Kgorong Investment Holdings (Proprietary) Limited (having largely the same shareholding), together with whom it identifies opportunities, develops market strategies and draws on a transfer of skills.

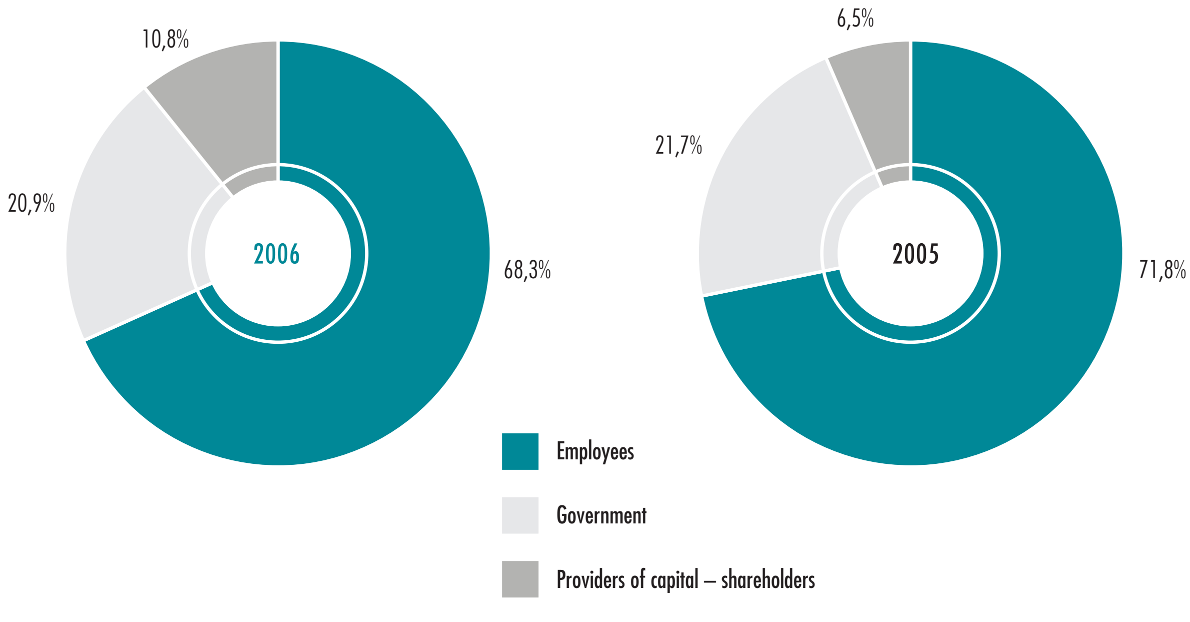
Primeserv has independent operational relationships with Tsabatsaba, The Lidonga Group and South Cape Empowerment Network (Proprietary) Limited. Majority black-owned empowerment entities trading as, Bathusi and Thuso Outsourcing (Proprietary) Limited as well as Empvest Outsourcing (Proprietary) Limited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

Value added statements

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

	2006 R'000	%	2005 R'000	%
WEALTH CREATED				
Gross revenue less cost of sales, services and administration	62 187	97,0	48 030	101,6
Net interest income/(expense)	1 922	3,0	(777)	(1,6)
	64 109	100,0	47 253	100,0
Distributed as follows:				
Employees				
Salaries and wages and other direct benefits	43 757	68,3	33 930	71,8
Government	13 414	20,9	10 244	21,7
Income tax	(1 175)	(1,8)	(716)	(1,5)
Duties, surcharges and RSC levies	1 047	1,6	1 165	2,5
Employees tax and skills development levies	13 542	21,1	9 795	20,7
Providers of capital – shareholders	6 938	10,8	3 079	6,5
Retained to finance future expansion	5 636	8,8	3 079	6,5
Dividend paid	1 302	2,0	–	–
Wealth distributed	64 109	100,0	47 253	100,0
Number of employees at period-end	325		369	

Value distribution in percentages



Directors' approval and responsibility statement

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

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

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

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

The Group consistently adopts appropriate and recognised accounting policies. The financial statements have been prepared in accordance with the provisions of the South African Companies Act and comply with International Financial Reporting Standards.

The directors are responsible for the preparation, integrity and fair presentation of the 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 going concern basis has been adopted in preparing the financial statements.

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 and signed on its behalf by:

JM JUDIN
Non-Executive Chairman

M ABEL
Chief Executive Officer

Johannesburg
28 May 2007

Declaration by Company Secretary

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

R SACK
Company Secretary

Johannesburg
28 May 2007

Independent auditors' report

TO THE MEMBERS OF PRIMESERV GROUP LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Primeserv Group Limited, which comprise the directors' report and balance sheet as at 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the eighteen months then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 46.

Management's Responsibility for the Financial Statements

Management is 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 auditors' judgment, 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 auditors consider 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 present fairly, in all material respects, the financial position of Primeserv Group Limited as at 31 December 2006, and its financial performance and its cash flows for the eighteen months then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

PKF

PKF (Jhb) Inc.

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

per: Jeffrey Borowitz
Director

Johannesburg
28 May 2007

Directors' report

NATURE OF BUSINESS

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

FINANCIAL RESULTS

The financial results of the Company and of the Group are set out on pages 26 to 46 of this report. A review of the Group's results and performance of the business units is contained in the Chief Executive Officer's review on pages 8 to 15.

DIVIDENDS

The Company declared a dividend (dividend declaration number 3) of 1 cent per ordinary share on 20 September 2006. The Company declared a further dividend (dividend declaration number 4) of 0,5 cents per ordinary share on 29 March 2007.

SHARE CAPITAL

No changes in the authorised or issued share capital of the Company took place during the eighteen-month period under review.

SUBSIDIARY COMPANIES AND ASSOCIATE COMPANY

Details of the Company's interest in its subsidiaries and associate are set out on page 46. The contribution to the Group's after tax profit was R2,3 million in profits and R2,3 million in losses (2005: R10,0 million in losses and R6,8 million in profits) for the eighteen months under review.

REPURCHASE OF SECURITIES

A general authority to repurchase further ordinary shares in the Company was granted in terms of a special resolution passed by the Company's shareholders on Friday, 24 January 2006, and registered by the Registrar of Companies ("general authority"). During the financial period under review, the Company acquired nil (2005: nil) ordinary shares on the open market.

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

On approval, at the annual general meeting, of the special resolution required to effect any repurchase of securities, the maximum number of shares that the Group may repurchase is limited to 20% of its issued share capital. The maximum premium payable on any repurchase will be limited to 10% above the weighted average middle-market price of such shares over the five days immediately preceding the date of repurchase. Such approval is valid until the next annual general meeting, or 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 2006, 7 000 278 (30 June 2005: 6 558 520) shares were held by the Primeserv Group Limited Share Trust for distribution to employees in terms of the scheme. At the same date, 3 117 597 (30 June 2005: 3 117 597) options have been granted to employees in terms of the rules of the share incentive scheme, leaving 3 882 681 shares which are not allocated to specific individuals but are allocated to a Group incentive scheme linked to specific profit and/or other performance targets. The impact of IFRS2 (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.

BEE TRANSACTION AND ALTERATION OF CAPITAL STRUCTURE OF INVESTMENT IN SUBSIDIARIES AND REVALUATION OF INVESTMENTS

The Company entered into a structured BEE transaction, approved by shareholders at the annual general meeting on 24 January 2006, in terms of which a 25,8% interest in certain subsidiaries was disposed of to strategic BEE groups and companies (more fully detailed in the Chief Executive Officer's review).

Arising out of this transaction certain loans to subsidiaries were applied to an investment in preference shares in the relevant subsidiaries resulting in the creation of 8,25% coupon bearing class A preference shares and non-coupon bearing class B preference shares. The Company has disposed of 25,8% of the investment in ordinary shares and class B preference shares in the relevant subsidiaries while retaining 100% of the investment in the class A preference shares.

Recognising that due to a write-down of investments against the share premium account of the Company, the Company's capital does not reflect the value of the Company's investment in subsidiaries, it was decided to value the investment in subsidiaries at an amount equal to the net asset value of the underlying investment. This approach resulted in the creation of a non-distributable reserve of R54,3 million and a write-off to income of R6,1 million.

DIRECTORATE AND SECRETARY

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

NN Rodrigues resigned as a director and Company Secretary on 25 April 2006.

ER Goodman Secretarial Services CC was appointed as Company Secretary on 25 April 2006 and resigned on 1 June 2006.

R Sack was appointed as Company Secretary on 1 June 2006.

In terms of the Articles of Association of the Company, JM Judin, C Nkosi and DC Seaton retire as directors at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' report

DIRECTORS' INTERESTS

As at 31 December 2006, the aggregate direct and indirect, beneficial and non-beneficial interests of directors in the fully paid issued share capital of the Company were:

	2006 Beneficial	2006 Non-Beneficial	2005 Beneficial	2005 Non-beneficial
EXECUTIVE				
M Abel	**17 989 741**	–	17 713 253	–
AT McMillan	**2 426 823**	–	2 426 823	–
NN Rodrigues*	–	–	441 758	–
NON-EXECUTIVE				
JM Judin	**873 000**	–	781 634	–
S Klein	**354 887**	–	264 887	–
C Nkosi	–	–	–	–
DL Rose	–	–	–	–
DC Seaton	**750 000**	–	750 000	–
	22 394 451	–	22 378 355	–

** NN Rodrigues resigned as a director on 25 April 2006.*

At the date of this report, M Abel has been granted 2 735 000 (2005: 2 735 000) share options. AT McMillan has been granted 200 000 (2005: 200 000) share options.

There has been no material change in the directors' interest in the issued share capital between 31 December 2006 and the date of this report.

The number of meetings attended by each of the directors of the Company during the period 1 July 2005 to 31 December 2006 is as follows:

	Board		Audit, Governance and Risk Committee		Remuneration and Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
M Abel	6	6	5	5 #	5	5 #
JM Judin	6	6	–	–	5	5
S Klein	6	6	5	5	5	5
AT McMillan	6	6	–	–	–	–
C Nkosi	6	4	–	–	–	–
NN Rodrigues*	3	3	3	3 ##	–	–
DL Rose	6	6	5	5	–	–
DC Seaton	6	6	5	5	2	2

** NN Rodrigues resigned as a director on 25 April 2006.*

 # M Abel attended by invitation.

NN Rodrigues attended by invitation.

EQUIPMENT AND VEHICLES

The Group acquired equipment and vehicles at a cost of R2,7 million (2005: R0,8 million) during the financial period under review. No major changes in the nature of the equipment and vehicles occurred during this period.

POST-BALANCE SHEET EVENT

The Group has acquired the staff outsourcing business of Staff Dynamix, with effect from 1 March 2007, subject to the fulfilment of conditions precedent.

Income statements

For the 18 months ended 31 December 2006		Group		Company	
	Notes	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
Revenue*		518 111	374 641	–	32
Net operating (costs)/income		(513 825)	(372 466)	47 374	34
Operating profit		4 286	2 175	47 374	66
Dividend received		–	–	6 417	–
Interest received		3 319	927	812	181
Interest paid		(1 397)	(1 704)	(2)	(40)
Capital surplus on sale of business	9	–	4 234	–	–
Share of impairment of goodwill in associate	9	–	(1 558)	–	–
Share of profits from associate	9	66	44	–	–
Net profit before other exceptional items		6 274	4 118	54 601	207
Other exceptional items	1	537	(1 500)	–	–
Net profit before taxation	2	6 811	2 618	54 601	207
Taxation	3	(1 175)	716	(19)	(111)
Net profit for the period		5 636	3 334	54 582	96
Attributable to:					
Ordinary shareholders		5 636	3 079		
Minority shareholders		–	255		
Attributable profit		5 636	3 334		
Weighted average number of shares ('000)	4	114 662	115 766		
Diluted weighted average number of shares ('000)	4	116 382	117 179		
Earnings per share (cents)		4,92	2,66		
Diluted earnings per share (cents)		4,84	2,63		
Headline earnings per share (cents)		4,80	0,26		
Diluted headline earnings per share (cents)		4,73	0,26		

* *Excludes revenue of R69,650 million (2005: R24,676 million) from Bathusi Staffing Services (Proprietary) Limited, which was deconsolidated as a result of a BEE transaction and has since been accounted for as an associate.*

Balance sheets

As at 31 December 2006	Notes	Group 31 December 2006 R'000	Group 30 June 2005 R'000	Company 31 December 2006 R'000	Company 30 June 2005 R'000
ASSETS					
Non-current assets		**17 944**	19 042	**39 694**	1 333
Equipment and vehicles	5	**3 117**	2 412	**160**	264
Intangible assets	6	**576**	576	**–**	–
Investment in subsidiaries	7	**–**	–	**36 649**	2
Long-term receivables	8	**451**	770	**–**	–
Investment and loan in associate	9	**4 725**	5 247	**1 680**	–
Deferred tax asset	10	**9 075**	10 037	**26**	26
Advance to share trust	11	**–**	–	**1 179**	1 041
Current assets		**69 480**	47 346	**16 780**	7 861
Inventories		**741**	979	**268**	328
Trade receivables	12	**48 252**	32 419	**–**	–
Other receivables	13	**2 254**	2 170	**83**	15
Taxation receivable		**67**	173	**73**	–
Bank balances and cash		**18 166**	11 605	**16 356**	7 518
Total assets		**87 424**	66 388	**56 474**	9 194
EQUITY AND LIABILITIES					
Capital and reserves		**43 592**	39 397	**53 726**	446
Ordinary share capital	14	**1 321**	1 321	**1 321**	1 321
Share premium	15	**1 351**	1 351	**1 351**	1 351
Distributable reserves/(accumulated loss)		**45 050**	40 716	**(3 194)**	(2 226)
Non-distributable reserve	18	**–**	–	**54 248**	–
Treasury shares	16	**(2 215)**	(2 215)	**–**	–
Share trust shares	17	**(1 976)**	(1 837)	**–**	–
Minority interest		**61**	61	**–**	–
Non-current liabilities		**262**	382	**–**	6 055
Long-term interest-bearing borrowings	19	**262**	382	**–**	–
Subsidiary company loans	7	**–**	–	**–**	6 055
Current liabilities		**43 570**	26 609	**2 748**	2 693
Trade and other payables		**25 411**	16 118	**2 748**	2 653
Provisions	20	**1 504**	3 700	**–**	–
Short-term interest-bearing borrowings	21	**387**	190	**–**	–
Taxation		**–**	51	**–**	40
Bank borrowings	22	**16 268**	6 550	**–**	–
Total equity and liabilities		**87 424**	66 388	**56 474**	9 194
Number of shares in issue at period-end ('000) (net of treasury and share trust shares)		**114 417**	114 859		
Net asset value per share (cents) (capital and reserves divided by number of shares in issue at period-end)		**38**	34		

Statements of changes in equity

For the 18 months ended 31 December 2006	Notes	Group 18 months 31 December 2006 R'000	Group 12 months 30 June 2005 R'000	Company 18 months 31 December 2006 R'000	Company 12 months 30 June 2005 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)		45 050	40 716	(3 194)	(2 226)
Balance at beginning of period		40 716	37 637	(2 226)	(2 322)
Net profit for the period		5 636	3 334	54 582	96
Transfer to minorities		–	(255)	–	–
Transfer to non-distributable reserve		–	–	(54 248)	–
Dividend paid		(1 302)	–	(1 302)	–
Treasury shares	16	(2 215)	(2 215)	–	–
Share trust shares	17	(1 976)	(1 837)	–	–
Balance at beginning of period		(1 837)	(1 467)	–	–
Purchase of shares		(139)	(370)	–	–
Non-distributable reserve	18	–	–	54 248	–
Transfer from distributable reserves		–	–	54 248	–
Minority interest		61	61	–	–
Balance at beginning of period		61	4	–	–
Transfer from distributable reserves		–	255	–	–
Acquisition of minority interest		–	(198)	–	–
		43 592	39 397	53 726	446

Cash flow statements

For the 18 months ended 31 December 2006		Group		Company	
	Notes	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
Cash flows from operating activities		(1 049)	6 434	9 990	1 051
Net profit before taxation		6 811	2 618	54 601	207
Adjustments		255	1 732	(46 697)	(16)
– net interest (received)/paid		(1 922)	777	(810)	(141)
– dividend received		–	–	(6 417)	–
– non-cash flow items		357	(535)	(39 603)	(12)
– depreciation		1 820	1 490	133	137
Operating income before working capital changes		7 066	4 350	7 904	191
Working capital changes		(8 582)	3 698	86	806
– decrease/(increase) in inventories		238	(359)	59	(78)
– (increase)/decrease in trade and other receivables		(15 917)	7 799	(68)	36
– increase/(decrease) in trade and other payables		7 097	(3 742)	95	848
Cash (utilised in)/generated from operations		(1 516)	8 048	7 990	997
Net interest received/(paid)		1 922	(777)	810	141
Net dividend (paid)/received		(1 297)	–	1 321	–
Taxation paid	A	(158)	(837)	(131)	(87)
Cash flows from investing activities		(2 185)	(7)	(1 152)	3 687
Purchase of equipment and vehicles to maintain operations		(2 724)	(794)	(29)	(85)
Proceeds on disposal of equipment and vehicles		357	266	–	14
Decrease in long-term receivables		319	891	–	–
Proceeds on disposal of branch of subsidiary	B	–	–	–	–
Loan to share trust		–	–	–	(372)
Repurchase of securities		(137)	(374)	(139)	–
Issue of shares from share trust		–	4	–	–
Loans from subsidiaries		–	–	(984)	4 130
Cash flows from financing activities		(120)	(369)	–	–
Proceeds from long-term borrowings		(120)	(369)	–	–
Net (decrease)/increase in cash and cash equivalents		(3 354)	6 058	8 838	4 738
Cash and cash equivalents at beginning of period		4 865	(1 193)	7 518	2 780
Cash and cash equivalents at end of period	C	1 511	4 865	16 356	7 518

Notes to the cash flow statements

For the 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
A. TAXATION PAID				
Amount unpaid at beginning of period	122	(495)	(40)	–
Amount charged to the income statement	(213)	(220)	(18)	(127)
Amount unpaid at end of period	(67)	(122)	(73)	40
	(158)	(837)	(131)	(87)
B. PROCEEDS ON DISPOSAL OF BRANCH OF SUBSIDIARY				
Equipment and vehicles	–	61	–	–
Trade and other receivables	–	8 555	–	–
Goodwill	–	8 339	–	–
Trade and other payables	–	(6 252)	–	–
	–	10 703	–	–
Funded by:				
Loan	–	(6 000)	–	–
Bank overdraft	–	(4 703)	–	–
Net proceeds	–	–	–	–
C. CASH AND CASH EQUIVALENTS AT PERIOD-END				
Cash at bank	18 166	11 605	16 356	7 518
Short-term borrowings	(387)	(190)	–	–
Bank borrowings	(16 268)	(6 550)	–	–
	1 511	4 865	16 356	7 518
Cash at bank and borrowings are comprised as follows:				
South African Rand	1 467	4 809	16 333	7 471
Foreign currencies	44	56	23	47
	1 511	4 865	16 356	7 518

Summary of accounting policies

For the 18 months ended 31 December 2006

PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value and incorporate the principal accounting policies listed below.

ADOPTION OF IFRS

The Group has adopted IFRS for the eighteen months ended 31 December 2006. These are the Group's first consolidated financial statements prepared in compliance with IFRS and hence IFRS1 – First-time Adoption of IFRS has been applied in preparing these financial statements. The Group has adopted all applicable IFRS Statements effective up to the annual report date, 31 December 2006. The adoption of IFRS did not result in any prior period adjustments.

ASSOCIATE COMPANIES

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

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

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of the Company and all its subsidiaries controlled by the Company up to 31 December each year as well as the Primeserv Group Limited Share Trust. Control is achieved where the Company has the power to govern the financial and operating policies of the investee enterprise so as to obtain benefits from its activities. The results of the subsidiaries acquired or disposed of during the period are included from the effective dates of acquisition and up to the effective dates of disposal. All balances and unrealised intercompany profits or losses and transactions are eliminated. Investments in subsidiaries are carried at cost in the Company's separate financial statements.

BORROWINGS AND CASH AT BANK

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

BORROWING COSTS

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

EMPLOYEE BENEFIT PLANS

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

EQUIPMENT AND VEHICLES

Equipment and vehicles are stated at cost less the related provision for depreciation and impairment. Depreciation is provided for on the straight-line basis at the following annual rates, which will reduce 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%

FINANCE AGREEMENTS

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

FINANCIAL INSTRUMENTS

Measurement

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

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents are measured at fair value and, where applicable, determined based on the relevant exchange rates at balance sheet date.

Financial liabilities

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

Gains and losses on subsequent measurement

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

Originating loans

Originating loans are carried at amortised cost, being the original sums advanced less principal payments and amortisation.

FOREIGN CURRENCIES

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

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

INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortisation and impairment losses. These assets are recognised if it is probable that the future economic benefits will flow to the entity from the assets and the costs of the assets can be reliably measured. Intangible assets are amortised on a straight-line basis over their estimated useful lives.

IMPAIRMENT

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

Summary of accounting policies

For the 18 months ended 31 December 2006

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.

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

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

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

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

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

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

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

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

Secondary 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.

INVESTMENTS
Investments in subsidiaries, associates and jointly controlled entities are recognised at cost less accumulated impairment losses.

TREASURY SHARES
Treasury shares are purchased in terms of shareholder approval and are shown at the aggregate acquisition cost of the shares and are deducted on consolidation in the statement of changes in equity.

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.

Deferred tax assets
Deferred tax assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are established based on plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

Impairment of assets
Goodwill is considered for impairment at least annually. Equipment and vehicles, intangible assets and other loans receivable are considered for impairment if there is any reason to believe that impairment may be necessary. Factors taken into consideration include the economic viability of the assets itself and where it is a component of a larger economic unit, the viability of the unit.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current asset value and, if lower, the assets are impaired to the present value.

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

Provisions
Provisions are recognised to the extent that the Group has a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The financial effect is determined by the judgement of management taking into account past experience of similar transactions and, in some cases, reports from independent experts.

For the 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
1. EXCEPTIONAL ITEMS				
Other exceptional items	537	(1 500)	–	–
Disposal of an operation which had previously been impaired	537	–	–	–
Provision for disputed claim with SARS (refer to note 24)	–	(1 000)	–	–
Settlement of historical vendor-related agreement	–	(500)	–	–
	537	(1 500)	–	–
2. NET PROFIT BEFORE TAXATION				
Net profit before taxation is stated after taking into account the following:				
Income				
Interest received	3 319	927	812	181
– adoption of IAS39	–	244	–	–
– banks and other third parties	3 319	683	812	181
Management fees	–	–	8 274	5 256
Dividend received/accrued	–	–	6 417	–
(Loss)/profit on foreign exchange	(46)	32	(56)	34
Profit on sale of equipment and vehicles	183	138	–	11
Expenses				
Auditors' remuneration	739	734	179	377
– audit fees current year	739	640	179	283
– audit fees prior year	–	94	–	94
Cost of sales	412 785	293 883	–	–
Depreciation	1 820	1 490	133	137
– computer equipment	866	671	50	36
– motor vehicles	182	275	–	–
– furniture, fittings and equipment	772	544	83	101
Net unimpairment of investment	–	–	48 171	–
Interest paid	1 397	1 704	2	40
– long-term liabilities (includes effect of IAS39 adjustments)	–	(521)	–	–
– finance leases	111	72	–	–
– bank and other borrowings	1 286	2 153	2	40
Operating lease rentals	12 884	9 162	–	1
– equipment and vehicles	3 616	2 559	–	1
– premises	9 268	6 603	–	–
Retirement costs	2 066	1 245	294	198
Staff costs (includes executive directors' remuneration – refer to note 23)	55 346	42 480	–	5 016
Directors' fees (non-executive directors)	1 255	655	1 255	655

Notes to the financial statements

For the 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
3. TAXATION				
SA normal taxation	213	220	19	127
– current	48	138	19	127
– prior year underprovision	–	82	–	–
– secondary tax on companies (STC)	165	–	–	–
Deferred tax	962	(936)	–	(16)
– current	962	(952)	–	(16)
– prior year underprovision	–	16	–	–
	1 175	(716)	19	111
	%	%	%	%
Tax rate reconciliation				
Statutory tax rate	29,0	29,0	29,0	29,0
Reduction in deferred tax asset as a result of a change in tax rate	–	11,6	–	0,2
(Over-)/underprovision in previous year	–	(7,4)	(0,3)	4,3
Non-deductible and other items	(14,1)	(76,9)	(28,7)	20,1
Share of associate income	–	10,7	–	–
Capital Gains Tax	–	5,7	–	–
Secondary tax on companies (STC)	2,4	–	–	–
Effective tax rate	17,3	(27,3)	–	53,6
4. EARNINGS PER SHARE				
The calculations of earnings per share, headline earnings per share, diluted earnings per share and diluted headline earnings per share are based on the following:				
Weighted average number of shares in issue ('000)	114 662	115 766	–	–
Add: Shares held for options granted by share trust ('000)	1 720	1 413	–	–
Diluted number of shares in issue ('000)	116 382	117 179	–	–
Earnings	5 636	3 079	–	–
Capital surplus on sale of business	–	(4 234)	–	–
Share of impairment of goodwill in associate subsequent to sale of business	–	1 558	–	–
After tax effect of profit on sale of assets	(130)	(98)	–	–
Headline earnings	5 506	305	–	–
5. EQUIPMENT AND VEHICLES				
Cost				
Computer equipment	5 885	4 733	351	331
Motor vehicles	1 149	1 553	–	–
Furniture, fittings and equipment	7 070	6 011	661	652
	14 104	12 297	1 012	983

For the 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
5. EQUIPMENT AND VEHICLES (continued)				
Accumulated depreciation				
Computer equipment	4 713	4 018	337	281
Motor vehicles	849	933	–	–
Furniture, fittings and equipment	5 425	4 934	515	438
	10 987	9 885	852	719
Net book value at end of period				
Computer equipment	1 172	715	14	50
Motor vehicles	300	620	–	–
Furniture, fittings and equipment	1 645	1 077	146	214
	3 117	2 412	160	264
Movement for the period				
Cost at beginning of period	12 297	15 106	983	935
Accumulated depreciation at beginning of period	(9 885)	(11 809)	(719)	(615)
Net book value at beginning of period	2 412	3 297	264	320
Additions				
Computer equipment	1 571	652	19	56
Motor vehicles	293	7	–	–
Furniture, fittings and equipment	862	135	10	28
	2 726	794	29	84
Depreciation				
Computer equipment	(866)	(671)	(50)	(37)
Motor vehicles	(182)	(275)	–	–
Furniture, fittings and equipment	(772)	(544)	(83)	(100)
	(1 820)	(1 490)	(133)	(137)
Disposals				
Computer equipment	(43)	(67)	–	(3)
Motor vehicles	(87)	(72)	–	–
Furniture, fittings and equipment	(71)	(50)	–	–
	(201)	(189)	–	(3)
Net book value at end of period	3 117	2 412	160	264

Motor vehicles with a book value of R697 787 (2005: R629 546) are encumbered as per note 19.

Notes to the financial statements

For the 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
6. INTANGIBLE 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	–	–
In terms of IFRS3, goodwill has been assigned to trademarks.				
7. INVESTMENT IN SUBSIDIARIES				
Ordinary shares at cost	–	–	2	2
Class A preference shares				
Cost	–	–	79 800	–
Impairment	–	–	(34 340)	–
Net book value	–	–	45 460	–
Class B preference shares				
Cost	–	–	112 280	–
Sold during the period	–	–	(28 968)	–
Impairment	–	–	(83 312)	–
Net book value	–	–	–	–
Preference dividend accrued	–	–	5 096	–
Loans to subsidiaries	–	–	27 430	230 776
Impairment of investments	–	–	(41 339)	(236 831)
Sub-total	–	–	(8 813)	(6 055)
Net investment in subsidiaries	–	–	36 649	(6 053)
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 46 of the financial statements.				
8. LONG-TERM RECEIVABLES				
Receivables to be collected in excess of one year	451	770	–	–
	451	770	–	–
9. INVESTMENT AND LOAN IN ASSOCIATE				
Balance at beginning of period	5 247	–	–	–
Reversal of outside shareholders' interest on subsidiary becoming an associate	–	(200)	–	–
Loans to associate company	(588)	397	1 680	–
Net assets sold to associate company	–	2 330	–	–
Capital surplus on sale of business	–	4 234	–	–
Share of impairment of goodwill in associate	–	(1 558)	–	–
Share of profits in associate	66	44	–	–
	4 725	5 247	1 680	–

For the 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
9. 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	69 650	24 676	–	–
Net operating costs	(69 443)	(24 537)	–	–
Operating profit	207	139	–	–
Impairment of goodwill	–	(3 462)	–	–
Net profit/(loss) before taxation	207	(3 323)	–	–
Taxation	(62)	(40)	–	–
Net profit/(loss) for the period	145	(3 363)	–	–
Balance Sheet				
Equipment and vehicles	60	54	–	–
Goodwill	4 877	4 877	–	–
Deferred tax	460	101	–	–
Inventories	16	13	–	–
Trade and other receivables	5 052	14 003	–	–
Cash	57	195	–	–
Total assets	10 522	19 243	–	–
Trade and other payables	(13 347)	(22 213)	–	–
Total shareholders' funds	(2 825)	(2 970)	–	–
The loan is unsecured, bears interest at the greater of 18% p.a. and the prime rate plus 5% p.a., and has no fixed terms for repayment.				
10. DEFERRED TAX ASSET				
Assessable losses*	7 448	8 918	44	–
Provisions	1 798	1 627	4	29
Prepayments	(30)	(66)	(22)	(3)
Deferred income	90	86	–	–
Work in progress	(238)	(386)	–	–
Capital Gains Tax	–	(149)	–	–
IAS39 adjustments	7	7	–	–
	9 075	10 037	26	26
Reconciliation between deferred tax opening and closing balance				
Deferred tax opening balance	10 037	9 101	26	10
Tax rate change	–	(303)	–	–
Assessable losses	(1 470)	(1 255)	44	(9)
Provisions	171	539	(25)	25
Prepayments	36	60	(19)	–
Deferred income	4	87	–	–
Work in progress	148	(37)	–	–
IAS39 adjustments	–	70	–	–
Capital Gains Tax	149	(149)	–	–
Deferred tax – reversal of impairment reserve	–	1 924	–	–
Deferred tax asset at end of period	9 075	10 037	26	26

**Tax losses amounting to R47 989 817 (2005: R46 836 455) have not been recognised. Tax losses amounting to R30 587 230 (2005: R29 576 993) have been recognised on the basis of future sustainable profits that have been estimated for in the next three financial years.*

Notes to the financial statements

For the 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
11. ADVANCE TO SHARE TRUST				
The Company has advanced R1 179 529 (2005: R1 040 946) to the Primeserv Group Limited share incentive scheme for the acquisition of 7 000 278 (2005: 6 558 520) shares. The advance is unsecured, interest-free and has no fixed terms of repayment.				
Primeserv Group Limited ordinary shares at fair value	–	–	1 179	1 041
	–	–	1 179	1 041
12. TRADE RECEIVABLES				
Trade receivables	50 898	33 101	–	–
Less: Provision for doubtful debts	(2 646)	(682)	–	–
	48 252	32 419	–	–
Trade receivables are encumbered as per note 22.				
13. OTHER RECEIVABLES				
Other receivables	2 254	2 195	83	15
Less: IAS39 adjustment	–	(25)	–	–
	2 254	2 170	83	15
14. SHARE CAPITAL				
Authorised				
500 000 000 ordinary shares of 1 cent each	5 000	5 000	5 000	5 000
Issued				
132 062 743 (2005: 132 062 743) ordinary shares of 1 cent each	1 321	1 321	1 321	1 321

There are nil (2005: nil) shares to be issued in respect of shares outstanding in terms of the Primeserv Group Limited share incentive scheme.

Unissued shares

The unissued shares totalling 367 937 257 (2005: 367 937 257) shares of 1 cent each are under the control of the directors subject to the provisions of Sections 221 and 222 of the Companies Act and the Listings Requirements of the JSE Limited. The authority is valid until the next annual general meeting.

	Group 18 months 2006	Group 12 months 2005	Company 18 months 2006	Company 12 months 2005
15. SHARE PREMIUM				
Balance at beginning of period	1 351	1 351	1 351	1 351
Total share premium	1 351	1 351	1 351	1 351
16. TREASURY SHARES				
Comprises 10 645 489 (2005:10 645 489) Primeserv Group Limited ordinary shares purchased in terms of shareholder approval in annual general meetings	2 215	2 215	–	–
17. SHARE TRUST SHARES				
Comprises 7 000 278 (2005: 6 558 520) Primeserv Group Limited ordinary shares. The share trust has been consolidated into the Group in terms of a directive issued by the JSE Limited in February 2004	1 976	1 837	–	–

18. NON-DISTRIBUTABLE RESERVE

The non-distributable reserve arises from the unimpairment of assets previously impaired against a write-off to the share premium account of the Company.

For the 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
19. LONG-TERM INTEREST-BEARING BORROWINGS				
Finance agreements	262	382	–	–
Total owing (refer to note 29)	550	572	–	–
Current portion included with short-term loans	(288)	(190)	–	–
The loans are repayable in monthly instalments, inclusive of interest, at rates varying from 12% p.a. to 15% p.a. and are secured over relevant equipment and vehicles, with a book value of R697 787 (2005: R629 546).				
	262	382	–	–
Interest-bearing borrowings				
Short-term portion	288	190	–	
Long-term portion	262	382	–	–
Total	550	572	–	–

Borrowing powers

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

20. PROVISIONS

2006 – Group Movement of provisions	Bonus R'000	Leave pay R'000	Contract employee claims R'000	Total R'000
Balance at beginning of period	1 490	2 107	103	3 700
Amounts added	4 033	3 435	323	7 791
Amounts used	(4 076)	(2 812)	(193)	(7 081)
Amounts written back	(1 192)	(1 607)	(107)	(2 906)
Balance at end of period	255	1 123	126	1 504

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

For the 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
21. SHORT-TERM INTEREST-BEARING BORROWINGS				
Short-term interest-bearing borrowings payable within one year	387	190	–	–
22. BANK BORROWINGS				
Invoice finance	16 268	6 055	–	–
The finance is secured over the book debts of Primeserv ABC Recruitment (Proprietary) Limited, Primeserv Employee Solutions (Proprietary) Limited and Bathusi Staffing Services (Proprietary) Limited and bears interest at the prime bank overdraft rate p.a. It is repayable on collection of the book debts, subject to a 25% retention margin of total debt financed in this manner.				
Bank overdraft	–	495	–	–
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.				
	16 268	6 550	–	–

23. 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 2006 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.*

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

For the 18 months ended 31 December 2006

	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 2005 R'000
23. DIRECTORS' REMUNERATION (continued)								
2005 – Company								
The remuneration paid to directors of the Company, whilst in office during the year (12 months) ended 30 June 2005, can be analysed as follows:								
Executive Directors	–	3 369	403	573	–	309	45	4 699
M Abel	–	1 916	136	–	–	183	21	2 256
PL Gray*	–	163	24	–	–	15	4	206
AT McMillan**	–	708	171	553	–	60	15	1 507
NN Rodrigues**	–	582	72	20	–	51	5	730
Non-Executive Directors	575	–	80	–	–	–	–	655
JM Judin	140	–	–	–	–	–	–	140
S Klein	140	–	80	–	–	–	–	220
C Nkosi**	60	–	–	–	–	–	–	60
DL Rose****	42	–	–	–	–	–	–	42
CS Seabrooke***	93	–	–	–	–	–	–	93
DC Seaton	100	–	–	–	–	–	–	100
	575	3 369	483	573	–	309	45	5 354

Bonuses paid to executive directors relate to the 2004 financial year.

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

**PL Gray resigned as director on 24 August 2004.*

***AT McMillan, C Nkosi and NN Rodrigues were appointed as directors on 30 September 2004.*

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

*****DL Rose was appointed as director on 24 February 2005.*

For the 18 months ended 31 December 2006

Interest of directors and employees of the Company in share options	No of options as at 30 June 2005	No of options exercised during the period	No of options lapsed during the period	No of options as at 31 Dec 2006	Option price cents	Date from which exercisable	Expiry date
23. DIRECTORS' REMUNERATION (continued)							
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			

Interest of directors and employees of the Company in share options	No of options as at 30 June 2004	No of options exercised during the year	No of options lapsed during the year	No of options as at 30 June 2005	Option price cents	Date from which exercisable	Expiry date
2005 – 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
PL Gray	235 000	–	235 000	–	20	05/09/2003	04/09/2013
PL Gray	1 000 000	–	1 000 000	–	16	10/11/2000	31/05/2010
AT McMillan	200 000	–	–	200 000	20	05/09/2003	04/09/2013
Employees	92 400	–	6 333	86 067	6	29/04/1998	28/04/2008
Employees	13 000	–	800	12 200	6	17/09/1998	16/09/2008
Employees	67 500	–	2 500	65 000	6	18/10/1999	17/10/2009
Employees	3 000	–	–	3 000	6	05/01/1999	04/01/2009
Employees	2 250	–	–	2 250	6	05/05/1999	04/05/2009
Employees	56 320	–	42 240	14 080	16	01/06/2000	31/05/2010
Employees	18 078	18 078	–	–	20	05/09/2003	04/09/2013
	4 422 548	18 078	1 286 873	3 117 597			

Notes to the financial statements

For the 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
24. CONTINGENT LIABILITIES				
Guarantees issued by bankers to various companies and government bodies	–	234	–	115

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 period-end is R9 553 252 (2005: R2 654 139).

As stated previously, there has been an assessment issued by the South African Revenue Service (SARS) to one of the Group's subsidiaries for PAYE, interest and penalties amounting to R6,1 million. The Group's tax advisors disagree with the assessment and the necessary objections have been lodged with SARS. However, the Group has made a payment of R500 000 without admission of liability and SARS has agreed that the amount will be repaid should the appeal be successful or the matter be resolved at a lesser amount. The Group has found it prudent to retain the provision made in the prior year of R1 000 000 against income regarding this disputed claim.

25. FINANCIAL INSTRUMENTS

Interest rate risk

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

Credit risk

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

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

26. RETIREMENT BENEFITS

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

Retirement costs for the year amounted to R2 066 358 (2005: R1 224 846) with 60% (2005: 55%) of employees (which include temporary employees and those on limited duration contracts) belonging to the pension fund.

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

For the 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000

27. RELATED PARTY TRANSACTIONS

Arm's length trading transactions occur between subsidiaries and divisions within the Group companies and are reversed on consolidation of the financial statements. Transactions between the holding company, its subsidiaries and associate 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 share incentive scheme, until such time as the loan is repaid. AT McMillan is party to share-based incentives made available through the share trust.

AT McMillan is a 50% shareholder of Matin Investments (Proprietary) Limited, which was the lessor of premises leased to the Durban branch of the Outsourcing Division.

During the year, the Company paid R150 000 to Thoth Consulting, being a related party to DC Seaton, for consulting services rendered.

28. CAPITAL COMMITMENTS

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

29. OPERATING AND FINANCE LEASE COMMITMENTS

	Group 18 months 31 December 2006 R'000	Group 12 months 30 June 2005 R'000	Company 18 months 31 December 2006 R'000	Company 12 months 30 June 2005 R'000
Operating lease commitments				
Payable within one year				
– premises	1 795	2 253	830	177
– vehicles and equipment	1 763	2 151	–	–
	3 558	4 404	830	177
Payable two to five years				
– premises	1 668	1 125	659	–
– vehicles and equipment	956	2 600	–	–
	2 624	3 725	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 18 months ended 31 December 2006	Group		Company	
	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000	18 months 31 December 2006 R'000	12 months 30 June 2005 R'000
29. OPERATING AND FINANCE LEASE COMMITMENTS (continued)				
Finance lease commitments				
Payable within one year				
– vehicles and equipment	428	248	–	–
Payable two to five years				
– vehicles and equipment	310	406	–	–
	738	654	–	–
Prepaid finance charges	(188)	(82)	–	–
Capital amount owing	550	572	–	–

30. SEGMENTAL ANALYSIS

	Outsourcing R'000	Computer Training Colleges R'000	HR Solutions R'000	Central Services R'000	Group Consolidated R'000
2006					
Revenue	465 928	28 611	23 572	–	518 111
Operating profit/(loss)	19 730	4 281	(2 588)	(17 137)	4 286
Net 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
2005					
Revenue	334 452	21 297	18 892	–	374 641
Operating profit/(loss)	17 966	3 931	(9 273)	(10 449)	2 175
Net profit/(loss) before taxation	17 975	3 928	(8 975)	(10 310)	2 618
Capital additions	283	309	117	85	794
Depreciation	482	300	570	138	1 490
Assets	51 676	3 775	7 967	2 970	66 388
Liabilities	20 172	1 184	2 944	2 691	26 991

Certain comparative values for June 2005 have been restated to better reflect operational activities.
All segments traded in South Africa during the current period.
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.

31. CHANGE IN FINANCIAL YEAR-END

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 these results are for an eighteen-month period. Refer to the press announcement which was published on 2 April 2007 for the pro forma figures for the twelve months ended 31 December 2006.

Details of subsidiary companies and associate company

For the 18 months ended 31 December 2006

	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 at par value	Portion held directly or indirectly by holding company %	Class B preference share capital at par value	Portion held directly or indirectly by holding company %	Amount owing by/(to) subsidiaries 2006 R'000	2005 R'000
Primeserv Corporate Solutions (Proprietary) Limited	South Africa	100	74,2	74	37	100	618	100	13 940	27 740
Primeserv Training (Proprietary) Limited	South Africa	100	100	100					38 171	39 220
Primeserv ABC Recruitment (Proprietary) Limited	South Africa	100	74,2	74	370	100	448	100	7 969	84 249
Primeserv Employee Solutions (Proprietary) Limited	South Africa	100	74,2	74	392	100	276	100	(31 472)	81 323
African Recruitment Manpower (Proprietary) Limited	South Africa	160	100	160					(841)	(841)
Primeserv Productivity Services (Proprietary) Limited	South Africa	100	100	100					2 182	2 184
Primeserv Recruitment (Proprietary) Limited	South Africa	100	100	100					(3 147)	(3 090)
Priserv (Proprietary) Limited	South Africa	100	100	100					–	–
Ibiza Trading 7 (Proprietary) Limited	South Africa	100	100	–					(255)	(243)
Thuso Outsourcing (Proprietary) Limited	South Africa	100	70	70					(331)	(331)
Empvest Outsourcing (Proprietary) Limited*	South Africa	1 000	48,2	482					649	–
Privest International Limited	Jersey	30	100	30					564	564
Bathusi Training (Proprietary) Limited*	South Africa	100	49	49					1	1
Bathusi Recruitment (Proprietary) Limited*	South Africa	100	49	49					–	–
Bathusi Staffing Services (Proprietary) Limited**	South Africa	100	45	45					–	–
				1 507					27 430	230 776

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

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

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

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

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

Analysis of shareholding

As at 31 December 2006

	Number of shareholders	Number of shares held	% shareholding
PORTFOLIO SIZE			
1 – 50 000 shares	467	3 489 743	2,6
50 001 – 500 000 shares	88	14 743 189	11,2
500 001 – 5 000 000 shares	25	42 825 633	32,4
over 5 000 000 shares	7	71 004 178	53,8
	587	132 062 743	100,0
CATEGORY			
Directors (beneficial, non-beneficial, direct and indirect) and management*	9	38 848 753	29,4
Nominee companies and schemes	8	8 535 069	6,5
Individual and other corporate bodies	570	84 678 921	64,1
	587	132 062 743	100,0
INTERESTS OF 5% OR GREATER			
M Abel		17 989 741	13,6
Trade-Off 3029 cc		16 158 745	12,2
Primeserv Productivity Services (Proprietary) Limited (treasury shares)		10 645 489	8,1
PIC Nominees (Proprietary) Limited		8 343 878	6,3
Agulhas Nominees (Proprietary) Limited		8 014 693	6,1
Primeserv Group Limited Share Trust		7 000 278	5,3
		68 152 824	51,6
SHAREHOLDER SPREAD			
Total non-public shareholders*	9	38 848 753	29,4
Public shareholders	578	93 213 990	70,6
	587	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 18 months ended 31 December 2006

	2006	2005
JSE LIMITED PERFORMANCE		
Year-end closing market price of ordinary shares (cents)	37	21
High closing market price of ordinary shares (cents)	45	29
Low closing market price of ordinary shares (cents)	21	18
Volume of shares traded (million)	54	42
Value of shares traded (R'000)	16 482	8 987
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)	48 863	27 734
Market capitalisation at year-end excluding treasury and share trust shares (R'000)	42 334	24 120

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 eighth annual general meeting of the shareholders of Primeserv Group Limited will be held at the Olive Tree, 211 Oak Avenue, Randburg, at 09:00 on Friday, 22 June 2007, 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 eighteen-month period ended 31 December 2006.

2. To confirm the appointment of the Company's auditors, PKF (Jhb) Inc.

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

   The following directors retire by rotation in accordance with the Company's Articles of Association:
   - JM Judin
   - DC Seaton
   - C Nkosi

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

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

   3.2 To re-elect as director 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, a legal and tax consultancy. He specialises in corporate legal and tax advice. He is also a Non-Executive Director of ISA Group Limited.

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

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

4. To authorise the Remuneration and Nomination Committee to confirm the remuneration of the directors for the eighteen-month period ended 31 December 2006, and to determine the remuneration of the directors for the year ending 31 December 2007.

5. To authorise the directors to determine the remuneration of the auditors for the eighteen-month period ended 31 December 2006.

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.

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

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

   - the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
   - any such issue will be made to public shareholders only, as defined by the JSE, and not to related parties in terms of 5.52 of the Listings Requirements of the JSE;
   - the number of shares issued for cash shall not in the aggregate exceed in any financial year, 5% (five percent) of the Company's issued ordinary share capital. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/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;

Notice of annual general meeting

- 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 the Primeserv Group Limited Share Trust deed is hereby amended by the substitution in clause 15.2 of the words "7 000 000 (seven million)" for the words "5 000 000 (five million)" and the words 5,3 (five comma three) for the words 3,78 (three comma seven eight).

   The reason for this resolution is to increase the number of scheme shares which may be acquired by a single participant.

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

AS SPECIAL RESOLUTIONS

10. SPECIAL RESOLUTION NUMBER 1

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

- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of this special resolution number 1, whichever period is shorter;
- in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be no more than 10% (ten percent) above the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty percent) of the Company's issued ordinary share capital from the date of the grant of this general authority;
- the Company and the Group are in a position to repay their debt in the ordinary course of business for the following year;
- the consolidated assets of the Company, being fairly valued in accordance with 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.

11. SPECIAL RESOLUTION NUMBER 2

Resolved that the Company amend its Articles of Association by the addition of the following Article as Article 97.

"DISTRIBUTION OF RESERVES ARISING ON UNIMPAIRMENT OF ASSETS PREVIOUSLY WRITTEN OFF AGAINST SHARE PREMIUM

The directors may make capital payments to shareholders out of amounts credited to a reserve account arising out of the unimpairment of the interest of the company in its subsidiaries, where such impairment arose out of the previous write-off of the interest of the Company in such subsidiary represented by goodwill and trademarks against the share premium account of the Company."

Reason for and effect of Special Resolution Number 2

The reason for and effect of Special Resolution Number 2 is to amend the Articles of Association to provide for the distribution of reserves arising out of the unimpairment of assets previously written off against the share premium account of the Company.

Notice of annual general meeting

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

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

– Directors (page 6)
– Major shareholders of Primeserv (page 47)
– Directors' interests in securities (page 25)
– Share capital of Primeserv (page 38)

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 6 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Numbers 1 and 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all such information.

Litigation statement

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

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

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

If you are a certificated or dematerialised shareholder with "own name" registration and unable to attend the annual general meeting of ordinary shareholders to be held be held at the Olive Tree, 211 Oak Avenue Randburg, at 09:00 on Friday, 22 June 2007 and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions therein. If you have dematerialised your shares with a Central Securities Depository Participant ("CSDP") or broker (other than "own name" dematerialised shareholders), you must arrange with them to provide you with the necessary authorisation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker in the manner and cut-off time stipulated therein.

A proxy form is enclosed for use at this eighth annual general meeting. Proxy forms should be forwarded to reach the transfer secretaries not later than 09:00 on Wednesday, 20 June 2007.

By order of the Board

RAPHAEL SACK
Company Secretary

Johannesburg
28 May 2007

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 2004 (Proprietary) Limited
70 Marshall Street, Marshalltown 2001
PO Box 61051, Marshalltown 2107

Shareholders' diary

FINANCIAL YEAR-END	31 December 2006
REPORTS ON PROFIT STATEMENTS AND MEETINGS	
Reviewed results published	2 April 2007
Annual report published	May 2007
Annual general meeting	22 June 2007
NEXT FINANCIAL YEAR-END	31 December 2007
REPORTS ON PROFIT STATEMENTS AND MEETINGS*	
Half-year interim report to be published	August 2007
Reviewed results to be published	March 2008
Annual report to be published	May 2008
Annual general meeting	June 2008

* These dates are subject to change

Form of proxy

PRIMESERV GROUP LIMITED

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

For the use by certificated or "own name" dematerialised shareholders of Primeserv for the eighth annual general meeting of Primeserv Group Limited to be held at the Olive Tree, 211 Oak Avenue, Randburg, at 09:00 on Friday, 22 June 2007 ("the annual general meeting").

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

I/We ______________________________

(Name/s in block letters)

of (address) ______________________________

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

1. ______________________________ or failing him/her
2. ______________________________ or failing him/her
3. the Chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the annual 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 re-appointment of:			
3.1 JM Judin			
3.2 DC Seaton			
3.3 C Nkosi			
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 – Amendment of Primeserv Group Limited Share Trust deed			
Resolution number 9 – Authority for directors or Company Secretary to implement the resolutions			
Special resolution number 1 – General authority to repurchase shares			
Special resolution number 2 – Amendment of Articles of Association			

Signed at ______________________ on ______________________ 2007

Signature ______________________________

Assisted by me (where applicable)

Notes to the proxy form

1. An ordinary shareholder is entitled to appoint a proxy (who need not be a member), to attend, speak and vote at the annual general meeting in his stead.
2. An ordinary shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that ordinary shareholder in the appropriate box/es provided.
3. Any alteration made to this form of proxy must be initialed.
4. Documentary evidence establishing the authority of a person signing this form in a representative capacity must be attached to this form.
5. This form of proxy must be signed by all joint shareholders.
6. Proxy forms must be lodged with the transfer secretaries Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Marshalltown 2001 (PO Box 61051, Marshalltown 2107), to be received by not later than 09:00 on Wednesday, 20 June 2007.
7. *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.
8. *If you have dematerialised your shares through a CSDP or broker and registered them in a name other than your own name and wish to vote at the annual general meeting:*

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