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Primeserv Group Limited
("Primeserv" or "the Group")
Incorporated in the Republic of South Africa
(Registration number 1997/013448/06)

**REVIEWED RESULTS FOR THE
YEAR ENDED
30 JUNE
2003**



COMMENTS

Introduction

Primeserv is an investment holding company with specialised operations in the human resources (HR) arena. The Group's products and services are provided through two business segments: Staffing Services, comprising the Outsourcing and Recruitment divisions; and Corporate and Organisational Services incorporating the Training and Solutions divisions.

Operational Review

Since listing in 1998, the Group has focused on bringing together its various operations under a single brand, providing specialised HR services. This strategy is now complete. Further investment in the brand positioning of the Group's integrated HR model is planned.

The Outsourcing division performed well in line with the continued strategy of streamlining sales to improve margins and cash flows. The division concentrated on growing market share in its South African niche markets. Strong performances were achieved in the specialised areas of flexible white collar, industrial and logistics staffing and mega project wage bureau management.

The Recruitment division specialising in financial staffing continued to experience particularly severe trading conditions with revenue under pressure. Corrective action was taken, which included the disposal of the Pretoria-based recruitment operation.

The Training division produced a mixed performance with Technical Training achieving pleasing results from its large projects and learnership programmes, whilst the Corporate Training unit's lack of critical mass resulted in revenue pressure. The Colleges operation was hindered by delays in the implementation of a major national training contract and weaker than anticipated student intakes at its colleges, due in part to delays in government legislation relating to registrations.

The Solutions division remained burdened with high fixed cost human capital infrastructure and continued to perform poorly.

Strenuous cost containment remains a focus and management has taken steps to return all under-performing units to profitability.

Financial Review

The Group's focus on continued strengthening of the balance sheet and improved working capital management resulted in strong cash generation. The R17,6 million cash generated for the year translated into cash flow per share increasing by 90% to 13,9 cents per share (2002: 7,3 cents per share). Net borrowings consequently improved to R7,4 million compared to R25 million the previous year. This had the effect of reducing the Group's gearing from 34,2% at the end of the previous financial year to its current level of 18,4%.

Despite revenue being 12,9% lower at R464 million (2002: R532,9 million) as part of the Group's management of sales, gross margins improved by 10,6% to 21,9% (2002: 19,8%). Notwithstanding higher interest rates during the year, interest paid reduced by 24,5% to R5,8 million (2002: R7,7 million). Net finance costs reduced by R4,6 million after the inclusion of R3,3 million of interest received through the adoption of AC133.

The exceptional item of R0,7 million relates to the impairment of the loan to the Group's share trust.

The impact of the Group's operations outside South Africa increased the effective tax rate to 37%. This should normalise in the coming year.

Headline earnings per share was down by 29% from 4,24 cents in 2002 to 3,01 cents for the current year.

Empowerment

Primeserv is currently engaged in finalising negotiations with its empowerment partners to enhance the BEE profile of the Group. Operationally the Group actively participates in joint ventures and partnerships with various BEE entities throughout South Africa.

A further announcement relating to the Group's primary BEE initiative, Bathusi HR Services, will be made shortly. Black management is being fast-tracked at operational level and the Group intends to establish an employee share trust, which will hold equity stakes in Bathusi, its underlying operations and the Group. This trust aims to benefit employees other than management and shareholders participating in the Group's transformation process.

Accounting policies and review

The accounting policies used in preparing the year-end financial results are in accordance with South African Statements of Generally Accepted Accounting Practice and have been prepared on a basis consistent with the prior year except for the adoption of AC133 - Financial Instruments: Recognition and Measurement and AC166 - Employee Benefits.

The results have been reviewed in terms of Rule 3.23 of the Listings Requirements of the JSE Securities Exchange South Africa and by Deloitte & Touche. The unqualified report of their review is available for inspection at Primeserv's registered office.

Changes in directorate

JA Sparke resigned as an executive director on 11 August 2003 to pursue family interests. DC Seaton was appointed to the Board on 11 August 2003 as an independent non-executive director.

Prospects

As Primeserv continues to evolve its business model in line with its strategy of providing market leading integrated HR Services, its future performance will be affected by local market conditions. The growing need for HR solutions that enhance individual and organisational performance should enable the Group to generate organic growth. This will be complemented where possible, by value-adding acquisitions that can be merged with and integrated into the current business operations.

Dividend declaration

The Board is pleased to announce the declaration of a dividend. Notice is hereby given that a dividend of 0,5 cents per ordinary share has been declared for the year ended 30 June 2003, which is expected to be paid in January 2004.

An announcement relating to the salient dates of the dividend will follow in due course.

For and on behalf of the board

M Abel

Executive chairman

PL Gray

Chief operating officer

Johannesburg
23 September 2003

Directors

M Abel (*Executive chairman*)
PL Gray (*Chief operating officer*)
JM Judin*
Professor S Klein* (*American*)
G Magomola*
CS Seabrooke*
DC Seaton
(**Non-executive*)

Registered address

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Transfer secretaries

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(P.O. Box 62391, Marshalltown, 2107)

e-mail: productivity@primeserv.co.za

Share code: PMV

ISIN number: ZAE 0000 39277

**INCOME STATEMENT**

| | 2003 R'000 | 2002 R'000 | % |
|---|---------------|---------------|---------------|
| | | | change |
| Revenue | 464 046 | 532 924 | (12,9) |
| Operating profit | 11 027 | 18 896 | (41,6) |
| Exceptional items | 707 | 869 | |
| Depreciation | 2 979 | 4 111 | (27,5) |
| Goodwill amortisation | 169 | 132 | |
| Net income before interest | 7 172 | 13 784 | (48,0) |
| Interest received* | 4 453 | 1 762 | 152,7 |
| Interest paid | (5 815) | (7 698) | (24,5) |
| Net income before taxation | 5 810 | 7 848 | (26,0) |
| Taxation | 2 143 | 2 137 | |
| Income attributable to outside shareholders | 5 | - | |
| Net income attributable to shareholders | 3 662 | 5 711 | (35,9) |
| Reconciliation of headline earnings | | | |
| Net income attributable to shareholders | 3 662 | 5 711 | (35,9) |
| After tax effect of (profit)/loss on sale of fixed assets | (5) | 23 | |
| Goodwill amortisation | 169 | 132 | |
| Headline earnings | 3 826 | 5 866 | (34,8) |
| Weighted average number of shares in issue ('000) | 127 255 | 138 289 | |
| Earnings per share (cents) | 2,88 | 4,13 | (30,3) |
| Headline earnings per share (cents) | 3,01 | 4,24 | (29,0) |

*Included in interest received is R3,3 million relating to the adoption of AC133.

**BALANCE SHEET**

| | 2003 R'000 | 2002 R'000 |
|--|---------------|---------------|
| ASSETS | | |
| Non-current assets | 20 762 | 54 850 |
| Equipment and vehicles | 4 749 | 6 431 |
| Intangibles | 657 | 1 278 |
| Long-term receivables | 5 932 | 8 761 |
| Proceeds due from disposal of business | 1 523 | 2 411 |
| Deferred tax asset | 7 564 | 34 513 |

| | | |
|--|---------------|----------------|
| Share incentive scheme | 337 | 1 456 |
| Current assets | 78 131 | 91 439 |
| Inventories | 690 | 437 |
| Trade receivables | 55 779 | 70 021 |
| Other receivables | 12 124 | 14 008 |
| Taxation | - | 171 |
| Cash at bank | 9 538 | 6 802 |
| Total assets | 98 893 | 146 289 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | 47 232 | 77 463 |
| Non-current liabilities | 1 246 | 1 421 |
| Current liabilities | 50 415 | 67 405 |
| Trade and other payables | 32 809 | 35 547 |
| Short-term borrowings | 2 219 | 301 |
| Taxation | 642 | - |
| Bank borrowings | 14 745 | 31 557 |
| Total equity and liabilities | 98 893 | 146 289 |
| Number of shares in issue at year-end ('000) | 124 986 | 130 523 |
| Net asset value per share (cents) | 38 | 59 |



CASH FLOW STATEMENT

| | 2003 R'000 | 2002 R'000 |
|---|----------------|-----------------|
| Operating activities | 17 470 | 15 249 |
| Investing activities | (242) | (4 629) |
| Financing activities | 402 | (513) |
| Net increase in cash at bank and borrowings | 17 630 | 10 107 |
| Cash at bank and borrowings at beginning of the year | (25 056) | (35 163) |
| Cash at bank and borrowings at end of the year | (7 426) | (25 056) |
| Weighted average number of shares in issue('000) | 127 255 | 138 289 |
| Cash flow per share (cents) | 13,9 | 7,3 |



SEGMENTAL ANALYSIS

| | 2003 R'000 | 2002 R'000 |
|--|----------------|----------------|
| Revenue | | |
| Staffing services | 406 455 | 482 944 |
| Corporate and organisational services | 57 591 | 49 980 |
| | 464 046 | 532 924 |
| Net income/(loss) before taxation | | |
| Staffing services | 13 347 | 9 806 |

| | | |
|---------------------------------------|----------------|---------|
| Corporate and organisational services | (3 581) | 1 380 |
| Head office | (3 956) | (3 338) |
| | 5 810 | 7 848 |



STATEMENTS OF CHANGES IN EQUITY

| | 2003 R'000 | 2002 R'000 |
|---|-----------------|---------------|
| Balance at beginning of year - as previously stated | 79 214 | 75 132 |
| Prior year adjustment | (6 915) | (1 751) |
| Balance at beginning of year - restated | 72 299 | 73 381 |
| Deferred taxation irrecoverable | (27 616) | - |
| Repurchase of securities | (1 113) | (1 629) |
| Net income for the year | 3 662 | 5 711 |
| Balance at end of the year | 47 232 | 77 463 |