

Unaudited interim results

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

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

Income statement

	Unaudited 6 months ended 31-Dec-04 R'000	Unaudited 6 months ended 31-Dec-03 R'000	Audited 12 months ended 30-Jun-04 R'000
Revenue	208 362	209 879	397 244
EBITDA before exceptional debt provisions and forex losses	(1 181)	5 068	5 448
Loss on forex	40	510	739
Depreciation	792	1 332	2 226
Goodwill amortisation	41	41	81
Exceptional debt provisions	-	-	5 875
Operating (loss)/profit	(2 054)	3 185	(3 473)
Interest received	339	1 437	3 240
Interest paid	(751)	(1 389)	(2 915)
Net (loss)/profit before other exceptional items	(2 466)	3 233	(3 148)
Other exceptional items	-	-	6 800
Net (loss)/profit before taxation	(2 466)	3 233	(9 948)
Taxation	927	982	(1 410)
Net (loss)/profit after taxation	(3 393)	2 251	(8 538)
Outside shareholders' interest	201	29	2
Net (loss)/profit attributable to shareholders	(3 594)	2 222	(8 540)
Reconciliation of headline (loss)/earnings			
Net (loss)/profit attributable to shareholders	(3 594)	2 222	(8 540)
After tax effect of profit on sale of fixed assets	(21)	(25)	(98)
Goodwill amortisation	41	41	81
Headline (loss)/earnings	(3 574)	2 238	(8 557)
Weighted average number of shares ('000)	116 691	117 921	117 123
Diluted weighted average number of shares ('000)	118 312	120 206	118 744
(Loss)/earnings per share (cents)	(3,08)	1,88	(7,29)
Diluted (loss)/earnings per share (cents)	(3,04)	1,85	(7,19)
Headline (loss)/earnings per share (cents)	(3,06)	1,90	(7,31)

Segmental analysis

	Unaudited 6 months ended 31-Dec-04 R'000	Unaudited 6 months ended 31-Dec-03 R'000	Audited 12 months ended 30-Jun-04 R'000
Revenue	188 743	182 004	345 069
Outsourcing	9 271	8 981	19 557
Computer colleges	10 348	18 894	32 618
HR Solutions	208 362	209 879	397 244
Operating profit/(loss) before exceptional debt provisions	5 097	6 162	12 529
Outsourcing	754	592	2 755
Computer colleges	(6 013)	(1 758)	(9 955)
HR Solutions	(1 892)	(1 811)	(2 927)
Central services	(2 054)	3 185	2 402
Operating profit/(loss)	5 097	6 162	6 654
Outsourcing	754	592	2 755
Computer colleges	(6 013)	(1 758)	(9 955)
HR Solutions	(1 892)	(1 811)	(2 927)
Central services	(2 054)	3 185	(3 473)

Directors: JM Judin (Chairman)*, M Abel (CEO), Professor S Klein* (American), AT McMillan, C Nkosi*, NN Rodrigues (CFO), DL Rose*, DC Seaton* (*non-executive)

Company secretary: NN Rodrigues

Registered address: Venture House, Peter Place Park, 54 Peter Place, Bryanston 2021 (PO Box 3008, Saxonwold 2132)

Transfer secretaries: Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Marshalltown, Johannesburg 2001, (PO Box 61051, Marshalltown 2107)

Sponsor: Deloitte & Touche Sponsor Services (Pty) Limited

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Share code: PMV ISIN: ZAE000039277
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Balance sheet

	Unaudited 31-Dec-04 R'000	Unaudited 31-Dec-03 R'000	Audited 30-Jun-04 R'000
ASSETS			
Non-current assets	13 214	15 946	14 636
Equipment and vehicles	2 815	3 844	3 297
Intangibles	535	616	576
Long-term receivables	1 463	4 904	1 662
Deferred tax asset	8 401	6 582	9 101
Current assets	68 321	69 122	60 369
Inventories	744	666	619
Trade receivables	52 747	50 691	47 502
Other receivables	3 496	10 378	3 196
Cash at bank	11 334	7 387	9 052
Total assets	81 535	85 068	75 005
EQUITY AND LIABILITIES			
Capital and reserves	32 660	48 014	36 627
Minority interest	207	34	4
Non-current liabilities	556	1 396	1 300
Current liabilities	48 112	35 624	37 074
Trade and other payables	27 446	20 211	26 334
Short-term interest bearing borrowings	185	200	205
Taxation	460	520	495
Bank borrowings	20 021	14 693	10 040
Total equity and liabilities	81 535	85 068	75 005
Number of shares in issue at end of period ('000)	114 841	116 341	116 691
Net asset value per share (cents)	29	41	31

Statement of changes in equity

	Unaudited 6 months ended 31-Dec-04 R'000	Unaudited 6 months ended 31-Dec-03 R'000	Audited 12 months ended 30-Jun-04 R'000
Balance at beginning of the period – as previously stated	36 627	47 232	47 232
Adjustment for change in accounting of share trust	-	(739)	(739)
Balance at beginning of the period – restated	36 627	46 493	46 493
Repurchase of securities	(373)	(717)	(787)
Issue of shares from share trust	-	16	43
Dividend paid	-	-	(582)
Net (loss)/profit for the period	(3 594)	2 222	(8 540)
Balance at the end of the period	32 660	48 014	36 627

Cash flow statement

	Unaudited 6 months ended 31-Dec-04 R'000	Unaudited 6 months ended 31-Dec-03 R'000	Audited 12 months ended 30-Jun-04 R'000
Operating activities	(7 038)	841	6 606
Investing activities	(443)	(1 042)	(431)
Financing activities	(198)	121	58
Net (decrease)/increase in cash at bank and borrowings	(7 679)	(80)	6 233
Borrowings net of cash at bank at beginning of the period	(1 193)	(7 426)	(7 426)
Borrowings net of cash at bank at end of the period	(8 872)	(7 506)	(1 193)



Commentary

Profile

Primeserv is a holding company with specialised subsidiary operations that meet the human resources (HR) needs of the South African corporate, industrial and government sectors.

Operational review

Primeserv's core business unit, the Outsourcing Division, continues to generate sound profits and cashflows. Its logistics and industrial services units achieved satisfactory growth, with a strong performance in the Gauteng region. The white collar, petro-chemicals, engineering and construction units remained static. The Division's main strategy is to grow revenue nationally whilst continuing to improve margins and operating cash flows. To this end the Group is increasing its investment in human capital and IT systems.

The Computer Colleges Division continued to show organic growth. With the expected higher student intakes in the second half, a good performance for the full year is anticipated. Capital investment is planned for the upgrading of existing colleges and the opening of new ones.

The HR Solutions Division comprising the Technical and Corporate Training units and the HR consulting operation, continued to experience difficulties with weak sales, high fixed expenses, and down-sizing costs. The Division is being restructured where possible with the profitable components being retained and others closed. The Division's poor performance is expected to continue into the second half of the financial year.

The Group is also continuing to utilise the intellectual capital and capabilities within the HR Solutions Division via a series of BEE joint ventures.

Financial review

As a result of the losses in the HR Solutions Division, the Group produced poor results for the six months to 31 December 2004. Overall, a headline loss of 3,06 cents per share was recorded for the period under review. Whilst the Group as a whole incurred an operating loss of R2 million, the Outsourcing and Colleges Divisions produced a R5,9 million operating profit. The higher operating profit of the Outsourcing Division in the previous comparative period was attributable to the positive impact of AC133 adjustments.

Group cash flow was affected by the losses in the HR Solutions Division, as well as a less favourable December period end for the collection of trade receivables. Specifically, the net borrowing position of the Group at the December period end was negatively affected by the late payment (of some 4 days) of R7,1 million of trade receivables.

The interest received relative to the previous comparative period has reduced substantially due to the negligible effect of AC133 adjustments for the current period. The Group's interest paid declined as a result of improved working capital management and the early settlement of a long term loan and its interest recoupment.

The Group is actively engaged with the South African Revenue Services in seeking a resolution to the PAYE dispute previously reported.

Accounting policies

Results for the period have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice applicable to interim financial reporting and are consistent with those used in the Financial Statements for the year ended 30 June 2004.

Dividend

It is the Group's policy to consider an annual dividend after the year-end relative to the financial year's results.

Post balance sheet event

The sale of the business of the Secunda Branch of Primeserv ABC Recruitment (Pty) Ltd and its related assets and liabilities to Bathusi Staffing Services (Pty) Ltd, a Black owned company in which Primeserv holds a significant minority interest, was unanimously approved by Primeserv shareholders at the general meeting of the Company on 28 January 2005. As this was the final condition which needed to be met in terms of the sale agreement, and occurred after 31 December 2004, the accounting for this BEE transaction will take place in the second half of the financial year in terms of AC140, Business Combinations.

Changes in directorate and company secretary

AT McMillan and NN Rodrigues (CFO) were appointed Executive Directors effective 30 September 2004. C Nkosi was appointed Non-Executive Director on 30 September 2004 and DL Rose was appointed Independent Non-Executive Director on 24 February 2005. CS Seabrooke did not offer himself for re-election at the AGM held on 28 January 2005. The Group extends its thanks to Mr Seabrooke for his valuable contribution as a Non-Executive Director over the past 5 years.

NN Rodrigues was appointed Company Secretary on 30 September 2004.

Prospects

The Group anticipates an improved performance in the second half of the financial year.

For and on behalf of the board

JM Judin Chairman
M Abel Chief Executive Officer
Bryanston 23 March 2005