

Audited results

FOR THE YEAR ENDED 31 DECEMBER 2007

("Primeserv" or "the Group") • Incorporated in the Republic of South Africa
Registration number: 1997/013448/06 • Share code: PMV • ISIN: ZAE000039277
www.primeserv.co.za • e-mail: productivity@primeserv.co.za



Income Statement

for the year ended 31 December 2007

	Audited 12 months ended 31 Dec 2007 R '000	Pro forma 12 months ended 31 Dec 2006 R '000	Audited 18 months ended 31 Dec 2006 R '000
Revenue ⁽¹⁾	474 197	348 821	518 111
EBITDA	19 741	5 746	6 106
Depreciation	(1 829)	(1 225)	(1 820)
Operating profit	17 912	4 521	4 286
Interest received	2 190	1 849	3 319
Interest paid	(3 002)	(787)	(1 397)
Interest paid on borrowings	(2 620)	(787)	(1 397)
IFRS 3 Business combination charge	(382)	–	–
Share of profit from associate company	80	4	66
Profit before exceptional items	17 180	5 587	6 274
Exceptional items	–	(5)	537
Profit before taxation	17 180	5 582	6 811
Taxation	(3 350)	(865)	(1 175)
Profit after taxation	13 830	4 717	5 636
<i>Attributable to:</i>			
Ordinary shareholders	13 830	4 863	5 636
Minority interest	–	(146)	–
Attributable profit	13 830	4 717	5 636
Reconciliation of headline earnings			
Profit attributable to shareholders	13 830	4 863	5 636
After-tax effect of profit on sale of fixed assets	(12)	(132)	(130)
Headline earnings	13 818	4 731	5 506
Weighted average number of shares ('000)	114 569	114 564	114 662
Diluted number of shares ('000)	117 162	116 384	116 382
Earnings per share (cents)	12,07	4,24	4,92
Diluted earnings per share (cents)	11,80	4,18	4,84
Headline earnings per share (cents)	12,06	4,13	4,80
Diluted headline earnings per share (cents)	11,79	4,06	4,73

⁽¹⁾ **Revenue note:** Excludes revenue 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. The effect on the Outsourcing division and the HR Solutions division was as follows:

	Audited 12 months ended 31 Dec 2007 R '000	Pro forma 12 months ended 31 Dec 2006 R '000	Audited 18 months ended 31 Dec 2006 R '000
Outsourcing	49 064	43 764	68 026
HR Solutions	808	1 227	1 624
	49 872	44 991	69 650

Segmental Analysis

for the year ended 31 December 2007

	Audited 12 months ended 31 Dec 2007 R '000	Pro forma 12 months ended 31 Dec 2006 R '000	Audited 18 months ended 31 Dec 2006 R '000
Revenue ⁽¹⁾	474 197	348 821	518 111
Outsourcing	433 956	312 703	465 928
Computer Training Colleges	23 505	20 207	28 611
HR Solutions	16 736	15 911	23 572
Operating profit	23 787	16 282	19 730
Outsourcing	4 220	3 488	4 281
Computer Training Colleges	850	(1 485)	(2 588)
HR Solutions	(10 945)	(13 764)	(17 137)
Central Services			
	17 912	4 521	4 286

Revenue	▲	36%
Operating Profit	▲	296%
HEPS	▲	192%

Cash Flow Statement

for the year ended 31 December 2007

	Audited 12 months ended 31 Dec 2007 R '000	Pro forma 12 months ended 31 Dec 2006 R '000	Audited 18 months ended 31 Dec 2006 R '000
Cash flows from operating activities	(3 776)	(3 927)	(1 049)
Cash flows from investing activities	(175)	(749)	(2 185)
Cash flows applied to new acquisition	(5 449)	–	–
Cash flows from financing activities	(274)	481	(120)
Net decrease in cash and cash equivalents	(9 674)	(4 195)	(3 354)
Cash and cash equivalents at beginning of period	1 511	5 706	4 865
Cash and cash equivalents at end of period	(8 163)	1 511	1 511

Balance Sheet

as at 31 December 2007

	Audited 31 Dec 2007 R '000	Pro forma 31 Dec 2006 R '000	Audited 31 Dec 2006 R '000
ASSETS			
Non-current assets	21 826	17 944	17 944
Equipment and vehicles	4 639	3 117	3 117
Goodwill	7 127	–	–
Intangible assets	576	576	576
Investment and loan in associate	3 183	4 725	4 725
Long-term receivables	–	451	451
Deferred tax asset	6 301	9 075	9 075
Current assets	103 756	69 480	69 480
Inventories	1 137	741	741
Trade receivables	76 755	48 252	48 252
Other receivables	2 485	2 254	2 254
Taxation receivable	208	67	67
Cash and cash equivalents	23 171	18 166	18 166
Total assets	125 582	87 424	87 424
EQUITY AND LIABILITIES			
Equity	55 846	43 592	43 592
Capital and reserves	55 785	43 531	43 531
Minority interest	61	61	61
Non-current liabilities	680	262	262
Current liabilities	69 056	43 570	43 570
Trade and other payables	36 904	26 915	26 915
Current portion of financial liabilities	572	387	387
Short-term vendor obligation	818	–	–
Bank borrowings	30 762	16 268	16 268
Total equity and liabilities	125 582	87 424	87 424
Number of shares in issue at end of period ('000)	114 889	114 417	114 417
Net asset value per share (cents)	49	38	38

Statement of Changes in Equity

for the year ended 31 December 2007

	Audited 12 months ended 31 Dec 2007 R '000	Pro forma 12 months ended 31 Dec 2006 R '000	Audited 18 months ended 31 Dec 2006 R '000
Balance at beginning of the period	43 592	40 316	39 397
Share trust movement	(396)	(144)	(144)
Minority shareholders' interest	–	(146)	–
Share-based payment reserve	55	–	–
Net income attributable to shareholders	13 830	4 863	5 636
Dividend paid	(1 235)	(1 297)	(1 297)
Balance at end of the period	55 846	43 592	43 592

Commentary

Profile

Primeserv is an investment holding company whose products and services meet the human resources (HR) needs of the South African corporate, industrial and government sectors and are provided through its specialised HR Solutions, Computer Training Colleges and Outsourcing divisions. These offerings incorporate HR solutions, consulting, skills training centres, corporate and vocational training programmes, as well as resourcing and flexible staffing services, including labour outsourcing and wage bureau operations.

Overview

Primeserv changed its year-end to 31 December during the previous financial period, consequently the results for the year ended 31 December 2007 are compared with the pro forma results for the 12 months ended December 2006 to facilitate a more meaningful analysis.

All Group operations delivered improved year-on-year performance. Group revenue increased by 36% from R348,8 million for the pro forma 12 months ended December 2006 to R474,2 million for the year under review. This excludes revenue generated by Bathusi Staffing Services (Pty) Limited ("Bathusi"), the Group's BEE associate company, of R49,9 million (see Revenue note 1 to the Income Statement).

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

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

The Outsourcing division, specialising in flexible staffing solutions to business and heavy industry, increased revenue by 39% from R312,7 million to R433,9 million. The division's revenue benefited from the solid performance of the Staff Dynamix acquisition, although its impact was only for ten months. The division's operating profit increased by 46% from R16,3 million to R23,8 million.

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

The division's mega-project wage bureau unit experienced later than planned start dates on certain key projects, nevertheless a positive contribution was delivered.

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

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

The Computer Training Colleges division increased revenue by 16% from R20,2 million to R23,5 million. Operating profit increased by 21% from R3,5 million to R4,2 million. Further investment in the development of new products and courses as well as upgrading infrastructure at a number of colleges continued throughout the year.

The human capital HR Solutions division, comprising the HR Consulting and the Technical Training units, continued to improve its performance, delivering an operating profit of R0,85 million compared to the pro forma R1,5 million loss incurred for the previous twelve months. The division is of strategic value to the Group and in particular to the delivery of Primeserv's integrated HR Services model.

The Group remains focused on revenue growth, margin improvement and working capital management, and continues to pursue acquisitive opportunities.

Further Cautionary Announcement

Further to the announcement released on SENS on 26 February 2008 and in the press on 27 February 2008, shareholders are advised to continue to exercise caution when dealing in the company's securities until a further announcement is made.

Prospects

Barring unforeseen or adverse economic conditions during the year, the Group anticipates improved operating results.

Accounting Policies

The results for the year have been prepared in accordance with the Group's accounting policies. These comply with International Financial Reporting Standards, the South African Companies Act of 1973 and the JSE Listings Requirements and are consistent with those of the prior period.

Auditors' Report

The results for the year have been audited by PKF (Jhb) Inc. and their unqualified report is available for inspection at the company's registered office.

On behalf of the Board

JM Judin
Chairman

M Abel
Chief Executive Officer

27 March 2008
Bryanston

Dividend Declaration

Further to a 0,5 cent per share interim dividend paid in October 2007, notice is hereby given that a final dividend of 1,5 cents per share is declared, payable to shareholders recorded in the register of the company at the close of business on the record date as set out below. The salient dates applicable to the dividend are as follows:

Last day to trade "CUM" final dividend	Wednesday, 30 April 2008
First day to trade "EX" final dividend	Monday, 5 May 2008
Record date	Friday, 9 May 2008
Payment date	Monday, 12 May 2008

No share certificates may be dematerialised or rematerialised between Monday, 5 May 2008 and Friday, 9 May 2008, both days inclusive.

Directors: JM Judin (Chairman)*, M Abel (Chief Executive Officer), Prof S Klein* (American), AT McMillan (British), DL Rose*, DC Seaton*
* Non-executive

Company Secretary: R Sack

Registered address: Venture House, Peter Place Park, 54 Peter Place, Bryanston

(PO Box 3008, Saxonwold 2132)

Transfer secretaries: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001

(PO Box 61051, Marshalltown 2107)

Sponsor: Deloitte & Touche Sponsor Services (Pty) Limited, The Woodlands, Woodlands Drive, Woodmead, Sandton 2146

