

Audited results

FOR THE YEAR ENDED 31 DECEMBER 2009

("Primeserv" or the "Group" or "the Company") • Incorporated in the Republic of South Africa
Registration number: 1997/013448/06 • Share code: PMV • ISIN: ZAE00039277
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Consolidated Condensed Statements of Comprehensive Income

for the year ended 31 December 2009

	Audited year ended 31 Dec 2009 R'000	Audited year ended 31 Dec 2008 R'000
Revenue ⁽¹⁾	523 501	539 878
EBITDA	19 142	23 638
Depreciation	(1 658)	(1 866)
Operating profit	17 484	21 772
Interest received	4 533	3 691
Interest paid	(6 259)	(4 552)
Interest paid on borrowings	(6 233)	(4 300)
IFRS 3 – Business Combination charge	(26)	(252)
Share of (loss)/profit from associate	(225)	97
Profit before taxation	15 533	21 008
Taxation	(3 745)	(3 154)
Total comprehensive income for the year	11 788	17 854
<i>Total comprehensive income attributable to:</i>		
Ordinary shareholders	11 451	17 507
Minority shareholders	337	347
Total comprehensive income for the year	11 788	17 854
Reconciliation of headline earnings		
Net profit attributable to shareholders	11 451	17 507
After-tax effect of profit on sale of fixed assets	4	83
Headline earnings	11 455	17 590
Weighted average number of shares ('000)	108 980	114 134
Diluted weighted average number of shares ('000)	108 980	116 950
Earnings per share (cents)	10,51	15,34
Diluted earnings per share (cents)	10,51	14,97
Headline earnings per share (cents)	10,51	15,41
Diluted headline earnings per share (cents)	10,51	15,04

⁽¹⁾ **Revenue note:** Excludes revenue of R55,7 million (2008: R61,5 million) from Bathusi Staffing Services (Proprietary) Limited, which was deconsolidated as a result of a B-BBEE transaction and has since been accounted for as an associate.

Segmental Analysis

for the year ended 31 December 2009

	Audited year ended 31 Dec 2009 R'000	Audited year ended 31 Dec 2008 R'000
Revenue		
Human Capital Outsourcing	478 101	501 715
Human Capital Development	45 400	38 163
	523 501	539 878
Operating profit/(loss)		
Human Capital Outsourcing	19 214	27 758
Human Capital Development	2 036	2 710
Central Services	(3 766)	(8 696)
	17 484	21 772

Consolidated Condensed Statements of Cash Flows

for the year ended 31 December 2009

	Audited year ended 31 Dec 2009 R'000	Audited year ended 31 Dec 2008 R'000
Cash flows from operating activities	20 455	30
Cash flows from investing activities	(3 101)	(9 860)
Cash flows from financing activities	(174)	(1 531)
Net increase/(decrease) in cash and cash equivalents	17 180	(11 361)
Cash and cash equivalents at beginning of year	(18 952)	(7 591)
Cash and cash equivalents at end of year	(1 772)	(18 952)

Consolidated Condensed Statements of Financial Position

as at 31 December 2009

	Audited 31 Dec 2009 R'000	Audited 31 Dec 2008 R'000
ASSETS		
Non-current assets	24 064	25 322
Property, equipment and vehicles	4 229	4 416
Goodwill	10 135	9 605
Intangible assets	642	676
Investments and loan in associate	334	2 673
Long-term receivables	4 227	3 602
Deferred tax asset	4 497	4 350
Current assets	110 974	113 076
Inventories	966	863
Trade receivables	78 871	91 980
Other receivables	3 362	3 609
Taxation receivable	–	264
Cash and cash equivalents	27 775	16 360
Total assets	135 038	138 398
EQUITY AND LIABILITIES		
Equity	74 722	68 093
Capital and reserves	73 977	67 685
Minority interest	745	408
Non-current liabilities	184	363
Interest-bearing liabilities	184	363
Current liabilities	60 132	69 942
Trade and other payables	28 931	33 954
Current portion of interest-bearing liabilities	181	176
Taxation	1 473	–
Short-term vendor obligation	–	500
Bank borrowings	29 547	35 312
Total equity and liabilities	135 038	138 398
Number of shares in issue at end of year ('000)	105 455	110 809
Net asset value per share (cents)	71	61

Consolidated Condensed Statements of Changes in Equity

for the year ended 31 December 2009

	Audited year ended 31 Dec 2009 R'000	Audited year ended 31 Dec 2008 R'000
Balance at beginning of the year	68 093	55 846
Share trust movement	(2 318)	(2 988)
Minority shareholders' interest	337	347
Share-based payment reserve	(100)	250
Net profit attributable to shareholders	11 451	17 507
Dividend paid	(2 741)	(2 869)
Balance at end of the year	74 722	68 093

Commentary

Profile

Primeserv Group Limited is an investment holding company, focusing on delivering human resources (HR) products, services and solutions through its operating pillar, Primeserv HR Services. This incorporates two main areas of specialisation: Human Capital Development operating through two divisions, Primeserv HR Solutions and Primeserv Colleges; and Human Capital Outsourcing operating through the Group's largest division, Primeserv Outsourcing.

These divisions provide a comprehensive HR value chain that is applied through Primeserv's IntHRgrate™ Model in its entirety or in modular form. These divisions encompass an extensive range of HR consulting solutions and services, corporate and vocational training programmes, technical skills training centres, computer training colleges, as well as resourcing and flexible staffing services, supported by wage bureaus and HR logistics outsourcing operations.

Operating environment

The global recession of 2009 had a marked impact on all levels of business and society. Many businesses and industries were compelled to withhold discretionary spending relating to skills development and employment. This impinged on the results of the Group for the year under review.

Overview of results

Consolidated Group revenue for the review period declined by 3% from R539,9 million to R523,5 million as businesses continued to bear the effects of the global economic slowdown. Group EBITDA fell by 19% from R23,6 million to R19,1 million with operating profit down by 20% from R21,8 million to R17,5 million. The Group's effective tax rate increased from 15% in 2008 to 24% in 2009. Profit after tax for the year was R11,8 million, 34% lower than the R17,9 million recorded for the prior period. Diluted headline earnings per share of 10,51 cents are 30% lower than the prior year. The total annual dividend has been maintained at 3 cents per share.

Notwithstanding the poor trading environment, the Group's balance sheet continued to strengthen with cash flows from operations improving by R20,4 million, while cash flows from investing and financing activities improved by 71%. Working capital invested in trade receivables improved by R13,1 million from R92,0 million to R78,9 million at year-end. Cash and cash equivalents improved by 70% from R16,3 million to R27,8 million at year-end, while bank borrowings reduced by 16% from R35,3 million to R29,5 million. The Group's net gearing has improved from 29% to 3% over the 12 months under review. Net asset value per share has increased by 16% from 61 cents per share to 71 cents per share.

Human Capital Outsourcing

Revenue in the Outsourcing division declined by 5% from R501,7 million to R478,1 million. The division's full year operating profit declined by 31% from R27,8 million to R19,2 million. The logistics, warehousing, construction and industrial flexible staffing units continued to experience depressed trading conditions. The "white collar" professional draughting and engineering units have been particularly affected by the curbing of large-scale mining and engineering projects. The Denverdraft business has contributed to revenue for the full year (2008: 5 months). This business, in line with its industry segment, has a low gross margin leading to a reduction in overall gross margin for the division. The mega-project wage bureaus continued to deliver a solid performance due to their involvement in infrastructure projects.

There has been much speculation and debate in the press and other public media about the role of the atypical contract labour and temporary employment services ("TES") industry within the South African economy. In line with this the Group believes that additional regulation of the industry may be necessary. Primeserv remains convinced of the positive role within the economy to be played by the TES industry and is committed to the International Labour Organisation ("ILO") concept of "decent work". The Group has been a pro-active participant in forums where the issues of temporary employment services have been considered. These forums include NEDLAC, CAPES, BUSA and relevant Parliamentary Portfolio Committee hearings. Primeserv has also been active on less formal levels in attempting to achieve a common understanding and a negotiated solution in the best interest of all stakeholders.

Human Capital Development

The Human Capital Development segment, consisting of the HR Solutions division's HR Consulting and Technical Training units and the Computer Training Colleges division increased revenue by 19% from R38,2 million to R45,4 million. Due to increased bad debt adjustments made as a result of the difficulties experienced by the Computer Training Colleges learners in meeting financial commitments, operating profit reduced from R2,7 million to R2,0 million.

Directorate

Ms CS Shiceka was appointed to the Board as an Independent Non-Executive Director with effect from 21 August 2009.

B-BBEE

Primeserv has maintained its Level 3 B-BBEE value added supplier rating. The Group improved its empowerment rating from number 55 to number 12 in the authoritative Financial Mail/Empowerdex 2009 survey. Ongoing commitment to further transformation remains a Group imperative.

Corporate governance

The Board and individual directors are committed to the values of transparency, integrity, responsibility and accountability in enforcing the highest standards of corporate governance. The Group is currently in the process of reviewing and evaluating its compliance with King III and a detailed programme will be adopted to ensure optimal compliance within an acceptable time frame.

Post-balance sheet events

Management is not aware of any material events which occurred subsequent to the year ended 31 December 2009. There has been no material change in the Group's contingent liabilities since the year-end.

Outlook

The pace of South Africa's economic recovery remains uncertain. It is anticipated that a period of at least 18 months of further restrictive trading conditions will prevail. Consequently, the Group remains cautious in regard to anticipated future results. Group operations remain well placed to benefit when the upturn occurs. The Group's low gearing and strong balance sheet, position it well to seek out strategic acquisitive opportunities that will broaden the business base and provide further impetus for growth.

Accounting policies

The results for the year have been prepared in accordance with the Group's accounting policies which are consistent with the previous period, with the exception of the adoption of IAS 1 Revised – Presentation of Financial Statements and IFRS 8 – Segmental Reporting. These comply with International Financial Reporting Standards, IAS 34 – Interim Financial Reporting, the South African Companies Act and the JSE Limited Listings Requirements.

Audit opinion

The Company's auditors, PKF (Jhb) Inc, have issued an unmodified audit opinion. A copy of the audit report is available for inspection at the registered office of the Company.

On behalf of the Board

JM Judin Independent Non-Executive Chairman	M Abel Chief Executive Officer	12 March 2010 Bryanston
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Dividend Declaration

Further to a 0,5 cent per share interim dividend paid in October 2009, notice is hereby given that a final dividend of 2,5 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, 31 March 2010
First day to trade "EX" final dividend	Thursday, 1 April 2010
Record date	Friday, 9 April 2010
Payment date	Monday, 12 April 2010

No share certificates may be dematerialised or rematerialised between Thursday, 1 April 2010 and Friday, 9 April 2010, both days inclusive.

Directors: JM Judin (Chairman)*, M Abel (Chief Executive Officer), Prof S Klein* (American), LM Maisela*, AT McMillan (British), DL Rose*, R Sack (Financial Director), DC Seaton*, CS Shiceka*
* Non-Executive * Independent Non-Executive
Company secretary: ER Goodman Secretarial Services cc (represented by E Goodman)

Registered address: Venture House, Peter Place Park, 54 Peter Place, Bryanston, 2021
(PO Box 3008, Saxonwold, 2132)
Transfer secretaries: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Auditors: PKF (Jhb) Inc., 42 Wierda Road West, Wierda Valley, Sandton, 2196
(PostNet Suite 200, Private Bag X30500, Houghton, 2041)

Sponsor: Deloitte & Touche Sponsor Services (Pty) Limited, The Woodlands, Woodlands Drive, Woodmead, 2196
(Private Bag X6, Gallo Manor, 2052)

